MONTEZUMA
MINING COMPANY LTD

ANNUAL REPORT 2008

CORPORATE INFORMATION

ABN 46 119 711 929

DIRECTORS

Denis O'Meara (Non Executive Chairman)
Justin Brown (Managing Director)
Terrance Grammer (Non Executive Director)
Ian Cornelius (Non Executive Director)

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John Ribbons

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STOCK EXCHANGE LISTING

Montezuma Mining Company Ltd shares and 20 cent options expiring on or before 31 August 2011 are listed on the Australian Stock Exchange.

ASX CODE: MZM

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LETTER FROM THE CHAIRMAN

As we approach the end of our second year since listing on the ASX, it is with pleasure that we present to you the 2008 Annual Report for Montezuma Mining Company Ltd. Despite continuing difficulties in the equity markets, Montezuma continues to find success both in the field and the Boardroom.

Montezuma was listed in November 2006 to fund the exploration of several multi-commodity projects primarily in the Pilbara region of Western Australia and we have been aggressively working since then to add value for shareholders through exploration as well as strategic acquisitions and divestments.

Although the same drive and passion to succeed persists, our portfolio looks somewhat different as we have progressively rationalized holdings to direct the primary focus on our flagship project, the Peak Hill Mine, located north of Meekatharra in Western Australia. We have successfully completed our maiden drilling programme with excellent results and are currently awaiting the arrival of a drilling rig to commence the next phase of work. We intend to continue with a steady flow of drilling targeted at extending the current resource base with the overriding strategic goal of recommencing gold production from this historically successful mining centre where previous production has exceeded 900,000 oz.

Regionally we continue to identify and acquire assets in the Peak Hill region which enhance our position, the latest success being the acquisition of the Durack Project approximately 12km south of Peak Hill, which contains an Indicated and Inferred Resource of 567,679t at 2.34 g/t for a total of 42,659 oz of gold.

Our strategic positions in other companies include a 2,000,000 share holding in ASX listed Buxton Resources Limited and an exciting 10,000,000 share holding in emerging unlisted manganese exporter Auvex Resources Pty Ltd. Buxton is currently preparing to drill two of its large system targets and Auvex is in the final stages of seeking listing on the ASX. We look forward to sharing in the success of both companies and watch with particular interest as Auvex seeks to commence manganese production around mid 2009. If successful, our position in Auvex represents not only the prospect of a significant capital gain, but also the potential for cashflow through royalties and dividends.

The year ahead is full of promise with further drilling and a resource upgrade planned for Peak Hill, further exploration at Mt Padbury and Durack within the greater Peak Hill region as well as several programmes at our Pilbara Projects.

In addition to the busy exploration schedule, ongoing acquisitions and strategic divestments will continue to add value to the Company. We firmly believe that notwithstanding the current market difficulties, our clear strategic direction, sound management and technical practices will steer us through the current turbulence to success beyond. We look forward to sharing in the Company's success with you.

Yours Sincerely

Denis O'Meara
Chairman

REVIEW OF PROJECT OPERATIONS

STRATEGY AND OBJECTIVES

The Company's primary objective continues to be achieving returns for shareholders through proactive exploration and selected strategic acquisitions which add tangible value to the company.

Despite prevailing market turbulence, we have continued to deliver on these strategic goals and the company is now in a strong position with a high quality asset in the Peak Hill gold mine, and a growing portfolio of tenements which underpin the Company's goal of becoming a producer in the medium term.

In addition we now have, through the strategic divestments of non-core assets (including the manganese and iron ore rights at Mt Padbury), access to capital which should provide certainty of funding for the planned exploration and development work over the next 12-18 month period. This is particularly important given the prevailing tight capital markets and limited access to funding through traditional means.

The last twelve months has also seen the addition of several key staff members to our technical team and we now have sufficient in-house expertise to guide the execution of our programmes.

In short, Montezuma now has the people, the projects and the funding to roll-out our strategies and the Company is well positioned for success as global markets recover.

EXPLORATION

Montezuma now holds or has an interest in around 5,000 km2 of tenements in four mineral fields with prospectivity for multiple commodities including gold, copper-lead-zinc, nickel, and uranium.

The tenements include several of the projects that formed the original IPO tenure in the Pilbara and Leonora regions as well as licences pegged around the Bangemall Basin, the Officer Basin and the Tuckabianna region, as well as significant holdings in the Peak Hill region, north of Meekatharra, with a central focus on the Peak Hill gold mine, acquired from the Barrick and Rio Tinto Groups.

The Company continues to have an active focus on field exploration as a key strategy to generate returns for shareholders

PEAK HILL MINE (MZM 100%)

The Peak Hill Gold Mine was acquired at the beginning of the 2008 financial year from the Barrick and Rio Tinto Groups for cash payments of $1,000,000 and the assumption of environmental bonds totaling approximately $600,000. Peak Hill is the Company's flagship project and will be the focus of the majority of planned exploration expenditure in the coming year.

TENEMENTS

The Project is located approximately 100 km north of Meekathara and comprises four granted mining leases and six miscellaneous licences covering a total of 2,162 Ha. It includes four pits with significant production histories and excellent potential for the discovery of additions to the existing resource base.

PRODUCTION HISTORY

The project has a strong gold production history having produced from four modern-era open cut pits on top of extensive historical high-grade production from underground mining in the latter part of the 19th century.

Since the 1980's, the Main, Jubilee, Fiveways and Harmony open cut operations have produced approximately 650,000 oz of gold while historically, pre-1913 production yielded around 270,000 oz. The combined ounces confirm the Peak Hill field as a +million ounce high-grade gold system.

The size and grades associated with the system to date is suggestive that the geology is conducive to additional mineralisation with further work, and underpins Montezuma's confidence in making the acquisition.

EXISTING RESOURCES

The project includes previously reported resources of 3.17Mt @ 1.81 g/t for 184,000 ounces of gold at a 0.5 g/t cut-off or 1.78 Mt @ 2.64 g/t gold at a 1.0 g/t cut-off. In addition to these resources, there are also low-grade stockpiles containing approximately 29,200 ounces.

OWNERSHIP HISTORY

The history of the Peak Hill mining camp involves a string of successive owners each the subject of takeovers by progressively larger companies, until the project resided with the current owners. Previous holders and operators included Grant's Patch, Forsayth, North, Plutonic, Homestake and finally Rio Tinto and Barrick Gold.

Gold production continued from 1988 until 1997 when the Barrick and Rio joint venture partners took the decision that the reserve potential was insufficient to meet their minimum size criteria and ceased operations.

Since 1999, activities have focused on rehabilitation with no exploration work being undertaken. The field has effectively been inactive throughout the current mining boom, and represents a unique opportunity to reignite a high grade, historically profitable mining camp.

EARLY SUCCESS

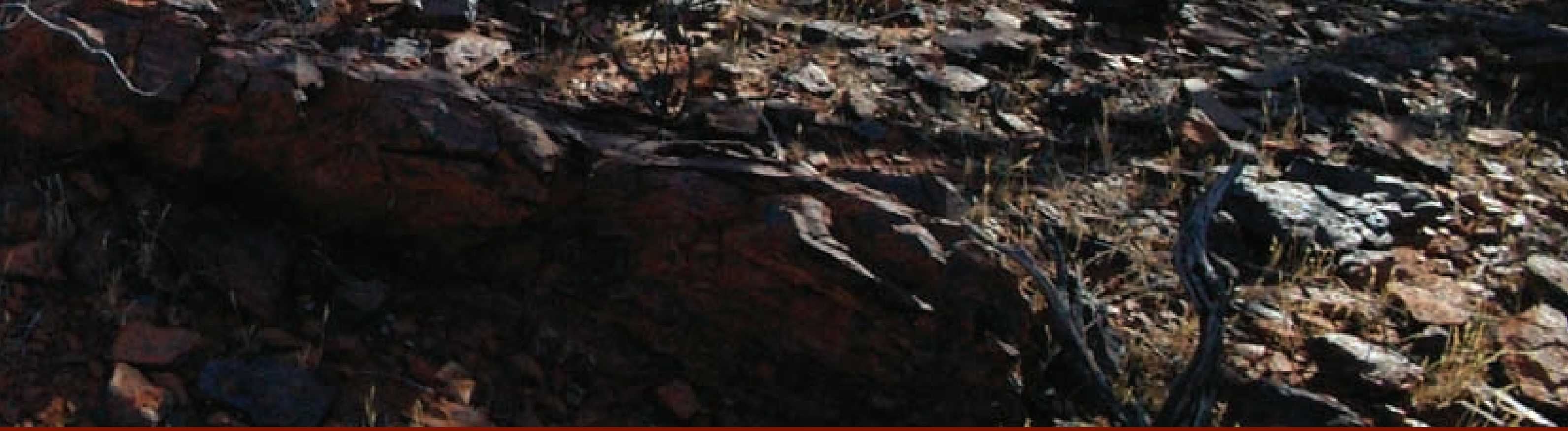
Since acquiring Peak Hill, Montezuma has completed a first pass RC drilling programme comprising 20 holes for a total of 2,511m. The holes were designed to test extensions to known mineralisation as well as structural repetitions at the Jubilee prospect. The programme achieved both goals, notably in hole JBRC0003, which intersected an overall mineralised zone of 35m down-hole width beneath previous drilling. Programme highlights include:

- **JBRC0003** 1m @ 47.2 g/t from 116m
  3m @ 13.96 g/t from 119m
  2m @ 13.29 g/t from 138m
  4m @ 1.56 g/t from 143m (EOH)
- **JBRC0017** 6m @ 27.43 g/t from 87m

Gold at Jubilee occurs within quartz stock-work within the quartz/sericite Peak Hill Schists. The mineralisation occurs spatially alongside the margins of a doleritic dyke which crosscuts the basement lithologies.

Assay results >0.5 g/t from the drilling (2m composites) are listed following.

HOLE ID	NORTHING	EASTING	FROM	TO	GRADE	COMPOSITE
JBRC001			31	32	2.230	1m @ 2.23 g/t
			96	97	1.120	
			97	98	3.790	2m @ 2.46 g/t
			116	117	3.800	
			117	118	1.310	
			118	119	1.210	3m @ 2.11 g/t
JBRC002			2	3	1.507	1m @ 1.51 g/t
			4	5	1.880	1m @ 1.88 g/t
			7	8	1.740	1m @ 1.74 g/t
			8	9	0.574	
			9	10	0.995	
			18	19	0.829	
			22	23	0.937	
JBRC003			39	40	0.602	
			43	44	0.517	
			45	46	0.726	
			116	117	47.200	1m @ 47.2 g/t
			119	120	38.100	
			120	121	2.770	
			121	122	1.010	3m @ 13.96 g/t
			130	131	3.120	1m @ 3.12 g/t
			138	139	25.567	
			139	140	1.010	2m @ 13.29 g/t
			141	142	0.906	
			143	144	2.230	
			144	145	2.050	
			145	146	0.300	
			146	147	1.660	4m @ 1.56 g/t
JBRC004			21	22	2.030	2m @ 2.03 g/t
			50	51	0.502	
JBRC005			29	30	1.910	1m @ 1.91 g/t
			39	40	0.874	
JBRC006			97	98	3.890	
			98	99	2.580	2m @ 3.24 g/t
JBRC007			49	50	0.911	
			50	51	0.572	
JBRC008			50	52	0.668	
JBRC009			38	39	1.680	1m @ 1.68 g/t
			44	45	0.610	
			124	125	2.330	
			125	126	1.510	2m @ 1.92 g/t
JBRC010			76	77	1.597	1m @ 1.6 g/t
JBRC015			4	5	0.608	
			5	6	0.865	
			15	16	0.663	
			19	20	0.998	
JBRC016			142	143	1.490	1m @ 1.49 g/t
JBRC017			87	88	1.320	
			88	89	1.140	
			89	90	158.000	
			90	91	0.962	
			91	92	2.120	
			92	93	1.060	6m @ 27.43 g/t
			129	130	7.018	1m @ 7.02 g/t
JBRC018			115	116	0.709	
			116	117	0.584	
			134	135	1.840	1m @ 1.84 g/t
			141	142	0.547	
			145	146	0.955	
JBRC019			145	146	5.740	
			144	146	2.140	2m @ 3.94 g/t



These encouraging results continue to support Montezuma's strategy of building on the existing resource base at Peak Hill with the strategic goal of generating sufficient resources to support a stand-alone producing mine in the medium term.

Work is currently underway to recommence drilling at Peak Hill, both to further test the Jubilee Prospect, but to also initiate further testing for extensions to the known mineralisation at Enigma North, Harmony and the Main Pit Deeps.

FURTHER POTENTIAL IN FOUR PRIMARY TARGETS

Apart from the early success at Jubilee, the area as a whole has a notable history of high-grade gold mineralisation, as evidenced by previously exploited resources which have included some spectacular grades, including 22m @ 158 g/t gold (now mined).

The project has produced in excess of 920,000 ounces of gold at high grades from both historical production and during modern operations by North and Plutonic.

As part of the acquisition of the Project, Montezuma acquired a comprehensive drilling database which highlights numerous targets expected to contain extensions to the existing resources at high grades.

The Main Pit Deeps have in ground assays **up to 878 g/t** over a metre with separate composite intersections including **8m @ 124.22 g/t** providing strong indications of the potential for high grade underground production.

At the Harmony/Baxter lease, production has yielded 221,000 ounces at 3.24 g/t from a shallow open-cut operation that mined down to approximately 100m. Significant mineralisation remains below the current pit limits, and this will be the target of further drilling and resource modeling to assess the potential of this mineralisation to contribute ore to a future production scenario.

At Enigma North, previously defined resources of approximately 67,000 ounces are open down plunge and at depth and will be further tested to build on the existing mineralised corridor.

In addition to these clear target areas, historically the project area has had only limited exploration outside the immediate production areas. While some areas have been drill tested, it has generally been very shallow and there are large prospective areas that have had no drilling to date.

EXPLORATION TARGETS: SELECTED UNMINED INTERCEPTS

Fiveways/Main/Jubilee Pits (Produced > 400K oz)		
Drill hole	**Intersection (not mined)**	**Depth**
PHC004	3m @ 62.45 g/t	38m
PHRC1001	14m @ 4.39 g/t	63m
PRC179	8m @ 124.22 g/t	152m
PRC273	3m @ 123.65 g/t	174m
PRC306	5m @ 31.51 g/t	98m
PHC047	3m @ 270.78 g/t	4m
Harmony Pit (Produced > 200,000 oz)		
Drill hole	**Intersection (not mined)**	**Depth**
PHRC0899	7m @ 13.39 g/t	46m
	11m @ 18.96 g/t	62m

EXPLORATION TARGETS: SELECTED UNMINED INTERCEPTS

Enigma North (No previous mining activity)

Drill hole	Intersection (not mined)	Depth
H0897	4m @ 10.69 g/t	50m
PHRC0735	3m @ 13.70 g/t	57m
PHRC0732	8m @ 10.13 g/t	73m
PHRC0773	4m @ 41.38 g/t	79m
ERC0021	8m @ 2.8 g/t	39m
ERC0005	4m @ 4.56 g/t	46m
ERC0033	9m @ 3.33 g/t	36m

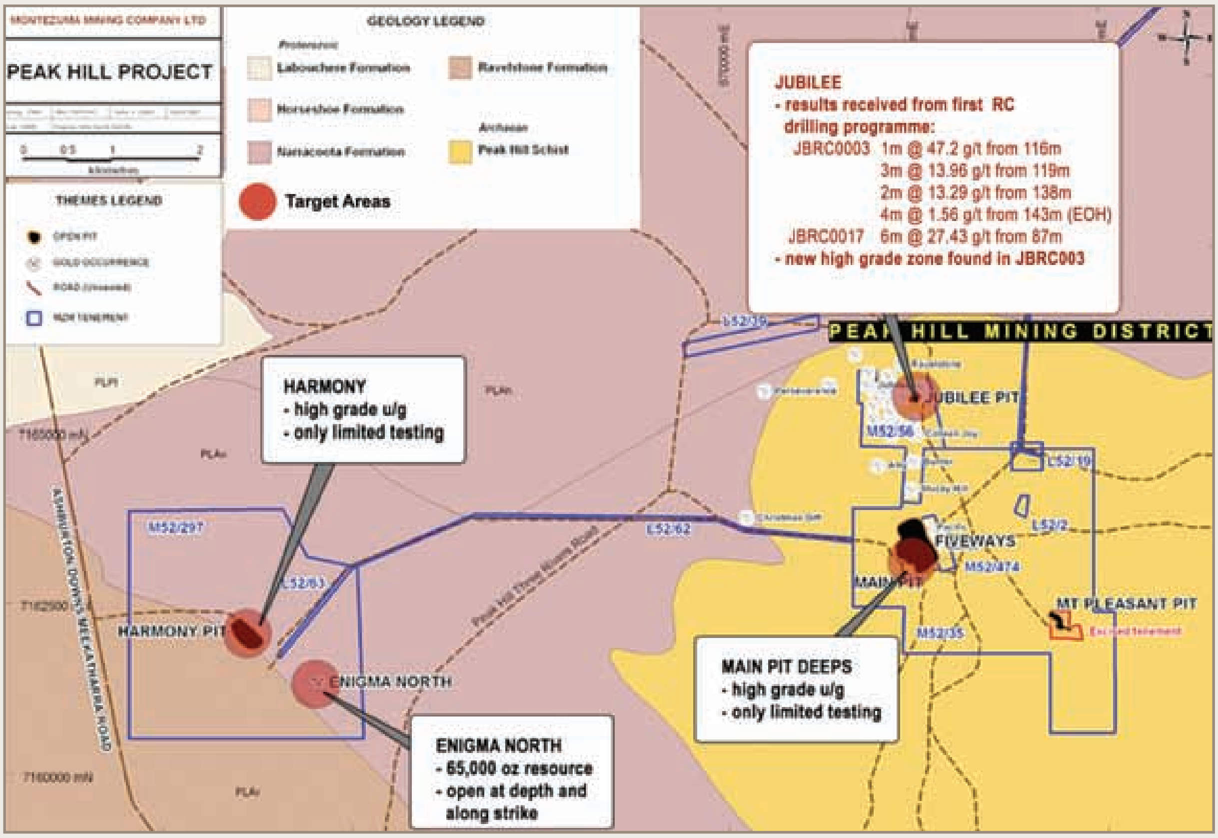


Figure 1: *Key target areas and recent results from Jubilee.*

Montezuma is of the view that the existing resources form an excellent foundation upon which additional ounces can be added through exploration in ground, with the ultimate aim of providing the basis for a gold producing operation in the medium term.

As this report goes to press, the arrival of an RC drilling rig is awaited to recommence exploration and resource definition drilling.

DURACK (MZM EARNING 85%)

In May 2008, the Compay announced the an agreement with Grange Resources Limited to acquire an 85% interest in the granted mining lease M52/801, which contains the Durack gold deposit.

Montezuma has agreed to spend $500,000 on exploration and development over the next four years to earn an 85% interest in the licence, which adds significantly to Montezuma's existing gold Resources and is ideally located to provide satellite resources to any centralised operation at Peak Hill, 12km to the north.

Previous workers have identified an Indicated and Inferred gold Resource at Durack of 567,679t @ 2.34 (1.0g/t cutoff, and top-cut of 25 g/t) for a total of 42,659 oz Au. Uncut, the resource grade increases to 3.33 g/t with an increase in total ounces to 60,836.

Several exploration targets have been identified within the lease which provide opportunities to add to this additional resource. Montezuma will undertake a detailed internal assessment of these and other target areas before planning the first phase of work to progress the project.

The gold mineralisation at Durack is associated with pyrite alteration on the margins of steeply dipping quartz veins within a package of intercalated mafic volcanics and sedimentary rocks. The main mineralised zone is broadly concordant with stratigraphy, trending at 130°, dipping sub-vertically to the north-east.

Highlights from the most recent drilling at Durack, completed in 2003 include:

- 12m @ 15.16g/t Au from 87m (DURC004)
- 8m @ 11.86g/t Au from 14m (DURC005)
- 13m @ 4.68g/t Au from 77m (DURC008)
- 8m @ 2.20g/t Au from 94m (DURC008)

A full breakdown of the existing resources at Durack are outlined in the following table:

DURACK DEPOSIT NOVEMBER 2004 RESOURCE ESTIMATE 1.0G/T CUTOFF											
Type	Indicated			Inferred			Total				
	Tonnes T	Uncut g/t	Cut25 g/t	Tonnes T	Uncut g/t	Cut25 g/t	Tonnes T	Uncut g/t	Cut25 g/t	Uncut Ounces	Cut Ounces
Oxide	159,879	2.67	2.09	86,022	6.08	2.51	245,901	3.86	2.24	30,537	17,700
Transition	226,895	2.97	2.31	94,883	2.82	2.67	321,778	2.93	2.41	30,298	24,959
Total	**386,774**	**2.85**	**2.22**	**180,905**	**4.37**	**2.59**	**567,679**	**3.33**	**2.34**	**60,836**	**42,659**

The Board is very pleased with this important step in achieving our strategic vision at Peak Hill and looks forward to keeping the market informed as we continue to build the gold inventories at Peak Hill both through exploration and selective acquisitions.

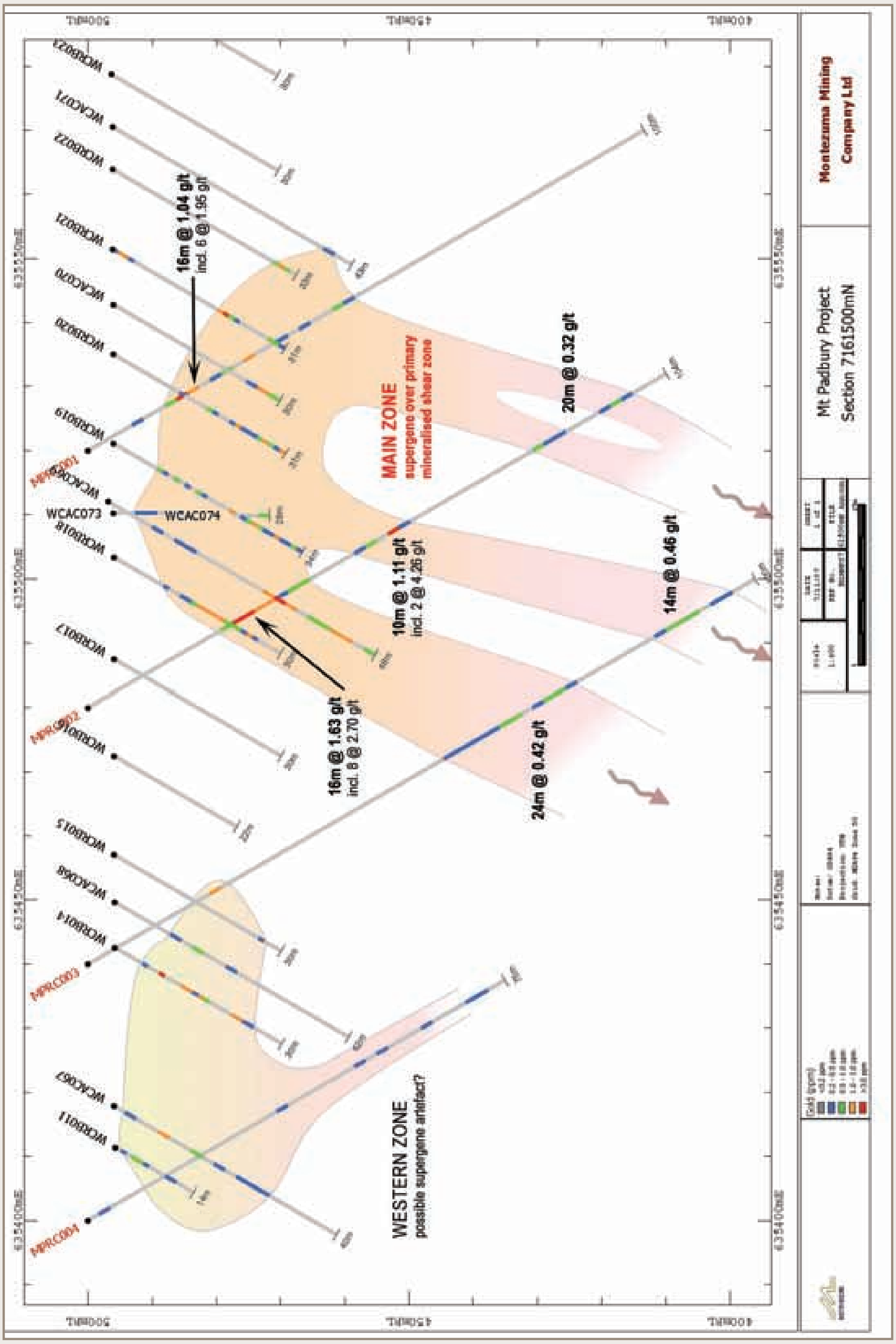


Figure 2: *Mt Padbury Project*

MT PADBURY (MZM 100%)

During the year, Montezuma successfully completed the acquisition of a 100% interest in this licence, which is prospective for gold, manganese and iron ore.

GOLD

Maiden RC drilling programme at the Wood Creek Prospect during the year returned encouraging gold results, confirming that mineralisation continues at depth below the surface geochemical and RAB anomalies.

A total of 4 holes were drilled for 399m to test beneath a RAB anomaly that had previous defined a 150m wide corridor of gold mineralisation in two zones to a depth of approximately 30m.

The programme identified significant mineralisation within pervasively silicified, brecciated, weakly sulphidic (pyrite/chalcopyrite), quartz veined doleritic rocks. The strong alteration, brecciation and sulphide mineralisation may be indicative of a potentially large system and consequently, the Wood Creek Prospect is confirmed as a high priority target within the portfolio.

Follow up drilling will aim to define the spatial extent of the gold mineralisation. Significant intersections to date are as follows (2m composite samples):

HOLE	INTERSECTION	FROM (m)
MPRC001	16m @ 1.04 g/t	14
	incl. 6m @ 1.95 g/t	
MPRC002	16m @ 1.63 g/t	24
	incl. 8m @ 2.70 g/t	
	10m @ 1.11 g/t	48
	incl. 2m @ 4.26 g/t	
	20m @ 0.32 g/t	80
MPRC003	2m @ 1.14 g/t	22
	24m @ 0.42 g/t	64
	14m @ 0.46 g/t	102
MPRC004	No significant results	

MANGANESE

Encouraging manganese results were returned from reconnaissance rock chip sampling of six zones of manganese mineralisation within the Mt Padbury Project.

The manganese occurs as secondary replacement/enrichment within volcanic metasediments of the Padbury Group and the tenor of the results from sampling to date gives a clear indication that the area has potential for significant high grade mineralisation.

SAMPLE	ZONE	Mn %	Fe %	Si %	P %	Al %
MPRK0006	1	55.8	3.8	0.21	0.009	0.89
MPRK0005	1	48.8	8.68	0.36	0.048	1.68
MPRK0007	1	37.2	7.25	8.37	0.062	2.98
MPRK0008	1	33.6	6.57	11.2	0.052	3.19
MPRK0009	1	31.4	14.9	7.34	0.511	1.94
MPRK0010	1	46	4.9	3.53	0.107	2.71
MPRK0003	2	40.8	5.47	4.86	0.058	4.55
MPRK0001	2	31.9	20.6	3.03	0.121	1.97
MPRK0004	2	30.8	20.4	3.56	0.064	2.86
MPRK0002	2	27.5	20.4	4.48	0.031	3.98
MPRK0017	3	33.3	19.3	2.1	0.277	2.49
MPRK0018	3	42.9	11.8	0.6	0.03	2.8
MPRK0011	4	39	8.25	3.77	0.082	4.73
MPRK0012	4	39.5	8.34	3.43	0.1	4.71
MPRK0013	4	30	4.18	17.9	0.037	1.62
MPRK0014	4	25.1	8.92	16.8	0.289	2.37
MPRK0015	4	31.2	10.8	10.1	0.272	2.56
MPRK0016	4	40	11.4	2.84	0.133	2.84
MPRK0019	5	40.9	13.8	0.81	0.023	2.6
MPRK0020	5	54.9	3.45	0.23	0.021	1.47
MPRK0021	5	42	5.25	4.63	0.179	3.5
MPRK0022	6	35.8	4.57	13.5	0.12	1.2
MPRK0023	6	37.2	7.25	8.37	0.062	2.98

The samples were collected from areas where manganese enrichment could be identified at surface. Work to date has covered approximately 20% of the tenement area, and further surveys should be conducted going forward to determine if additional areas of enrichment occur within the Mt Padbury licence.

Regionally, the area has a history of manganese production, with mining occurring from several centres from the 1940's through to the late 1960's. There has been little activity on manganese in the region since that period, however previous workers recorded 9 exploration targets within the Mt Padbury Project, in addition to the known mineralisation. Montezuma is of the view that with the prevailing strong manganese prices and renewed work using modern exploration techniques, the area has good potential to yield economic mineralisation.

Following this sampling work, Montezuma successfully negotiated an agreement with Auvex Resources Limited ("Auvex") for the sale of the manganese rights over the Mt Padbury licence E52/1529.

In consideration for the sale, Montezuma will receive 10M fully paid ordinary shares in the issued capital of Auvex. On listing, this holding will represent approximately 12% of the issued capital of Auvex. Montezuma retain a $2/DMT royalty and will nominate one director to the Board of Auvex.

The agreement provides Montezuma with a major equity interest in an emerging manganese producer ideally positioned to capitalise on very strong demand and high prevailing prices currently associated with global manganese markets.

In addition to Mt Padbury and several other projects, Auvex is party to a Joint Venture Agreement over the Sunday Hill and Ant Hill manganese deposits in Western Australia where it has a stated strategic target of first production by July 2009.

Auvex is also currently in negotiations with several other parties to expand on the current portfolio and provide additional resources as the foundation of a long term manganese export business.

Auvex is targeting an initial year 1 production rate of >200,000t pa of lump manganese ore grading over 40%

IRON ORE

The Mt Padbury Project contains approximately 23 strike kilometres of the banded iron and chert sediments that make up the Robinson Range. The sequence is known to host significant iron enrichment with sampling by previous workers highlighting elevated surface iron values in excess of 50% over significant strike lengths.

In one occurrence, where surface sampling returned grades of 63% from high grade haematite mineralization with low levels of silica (4.45% SiO2) phosphorous (0.09%), sulphur (0.08%) and aluminium (1.68% Al_2O_3).

SAMPLE #	Fe (%)	SiO2 (%)	P (%)	S (%)	Al2O3 (%)	Ti (%)	Mn (%)
1168	57.9						
1170	41.9						
1171	55.6						
1172	63.0	4.45	0.09	0.08	1.68	0.05	0.04
1173	54.2						
1174	60.4						
1175	56.0						
1179	30.2						
1180	47.9						
1181	56.7						
1182	42.2						

Following the evaluation of the iron ore potential, the Company entered into an agreement with Midwest Corporation Limited whereby Midwest will purchase 100% of the iron ore rights over E52/1529 by paying Montezuma up to $6M cash plus a royalty on production.

The deal is subject to several conditions precedent. On satisfaction or waiver of the conditions precedent prior to 30 October 2008, Montezuma will receive an initial payment of $1M cash.

On satisfaction of certain conditions subsequent, Montezuma will receive a further payment of $1M cash. It is anticipated that this second payment will be made in the first half of 2009.

Midwest will commence exploration as soon as practicable to define an iron ore resource in excess of 10M tonnes grading over 50% Fe. Once this hurdle is reached, Midwest will make a third payment of $4M cash to Montezuma.

Montezuma will retain a royalty of 0.5% on all iron ore sold grading between 30-50% Fe and 1% on all iron ore sold grading over 50%, the latter being first subject to the definition of a 10M tonne resource grading over 50% Fe.

If the conditions subsequent are not satisfied or waived, Midwest has the right to terminate the agreement at which time Montezuma will issue shares to Midwest to the value of $1M, calculated on the volume weighted average price of Montezuma's shares over the preceding 30 days.

The completion of this sale with Midwest is an important milestone for Montezuma, providing the Company with working capital to fund our ongoing exploration work at the Peak Hill Gold Project (MZM 100%) and our regional portfolio, with retained exposure to the iron ore potential should Midwest be successful in commencing a mining operation within the project area.

CALLAWA (MZM 100%)

Work was recently completed to test previously identified high grade copper in rock chips at the Callawa Project. In the second phase of work an additional 18 rock chip samples were taken for analysis. In the north, samples were taken from outcropping gossanous material, and areas of outcropping quartz bearing rocks. In the south, these were selected on outcrops of quartz rich material.

High grade surface copper mineralisation

In the north, 3 samples over outcropping gossan recorded 9.35%, 7.63% and 2.65% Cu and 68ppb, 50ppb and 83ppb Au respectively. These outcrops occur in largely dolomitic sediments, close to the greenstone/granite contact.

In the south, additional significant Cu values were obtained. The Mindex location "Post Office Well', recorded 0.087% Cu, confirming low grade Cu anomalism to the mineral occurrence. The 0.121% Cu is from a N-S trending quartz vein east of and subparallel to the greenstone raft, and is at the far south of the tenement. This anomalous value hints that some copper may be mineralised in the nearby greenstone, and hidden by the cover sediments/soils. This area may warrant reconnaissance drilling to follow up the data.

In addition to the rock chip sampling, an aircore programme was undertaken comprising 40 holes for 1,407m targeting two areas:

- High density drilling centred over the known copper outcrops to confirm and delineate the mineralisation

2 lines, 5km apart, south of the de grey river, centred over the geophysical anomaly, seeking extensions under cover of the mineralisation seen at the outcropping Cu occurrences

The drilling failed to explain the high grade surface results, however did return significant Pb anomalism and weak Zn anomalism.

Overall, a broad zone of low order base metal anomalism was identified, open to the north. Additionally significant geological complexity was identified, in contrast to the available regional geological mapping data, including amphibolite, and meta-sediments in addition to the regional granitoid.

Based on the drilling, the high-grade copper mineralisation is interpreted as a superficial supergene phenomenon with little depth extension.

The geochemistry provides some indication of a possible VMS style anomaly, which strengthens and remains open to the north. There is a magnetic anomaly coincident with the geochemical anomaly which may also be significant.

Further interpretation of the data and appropriate field work will be planned to further explore the potential of the project.

Sample ID	Lat	Long	Au(ppb)	Au2(ppb)	Ag(ppm)	Cu(ppm)	Pb(ppm)	Zn(ppm)
88369	-20.6779	120.455	-1	0	-0.05	9	3	5
88370	-20.6783	120.455	-1	0	-0.05	5	-1	3
88371	-20.6781	120.455	-1	0	-0.05	6	2	25
88372	-20.6726	120.457	-1	0	-0.05	7	4	3
88373	-20.6725	120.457	-1	0	-0.05	18	4	5
88374	-20.6657	120.462	-1	0	-0.05	8	2	8
88375	-20.6702	120.439	-1	0	-0.05	9	4	24
88376	-20.6832	120.44	68	67	25.9	93500	105	8
88377	-20.6832	120.44	83	0	2.75	26800	52	19
88378	-20.6831	120.44	50	63	15.7	76300	62	9
88379	-20.8095	120.476	-1	0	-0.05	136	6	10
88380	-20.8097	120.476	-1	0	0.3	1210	10	5
88381	-20.7392	120.478	5	0	0.7	333	17	4
88382	-20.7392	120.478	-1	0	0.2	873	4	11
88383	-20.7394	120.478	-1	0	-0.05	19	-1	2
88384	-20.7844	120.467	-1	0	-0.05	46	1	3
88385	-20.7995	120.473	-1	0	-0.05	7	-1	2
88386	-20.7996	120.473	-1	0	-0.05	20	-1	9

Callawa rock chip sample results.

HOLE ID	Lat	Long	DEPTH	DIP	AZIMUTH	MAX Cu (ppb)	MAX Pb (ppb)	MAX Zn (ppb)	MAX Au (ppb)
CAL001	-20.6841	120.4379	21	-60	270	43	7	66	7
CAL002	-20.6842	120.4388	61	-60	270	109	188	343	3
CAL003	-20.6842	120.4398	37	-60	270	40	15	65	1
CAL004	-20.6842	120.4407	21	-60	270	36	4	74	1
CAL005	-20.6833	120.4383	61	-60	270	130	17	45	6
CAL006	-20.6832	120.4389	61	-60	270	148	71	150	7
CAL007	-20.6833	120.4401	37	-60	270	54	28	157	3
CAL008	-20.6833	120.4404	61	-60	270	53	10	69	2
CAL009	-20.6833	120.4401	40	-60	90	79	10	102	8
CAL010	-20.6815	120.4370	49	-60	270	122	14	83	9
CAL011	-20.6814	120.4379	37	-60	270	39	15	72	1
CAL012	-20.6814	120.4378	23	-60	270	41	13	69	1
CAL013	-20.6815	120.4388	30	-60	270	37	8	96	1
CAL014	-20.6815	120.4390	30	-60	270	24	11	72	1
CAL015	-20.6814	120.4395	46	-60	270	36	20	76	1
CAL016	-20.6815	120.4398	19	-60	270	32	3	74	1
CAL017	-20.7392	120.4361	63	-60	270	153	14	56	10
CAL018	-20.7392	120.4378	48	-60	270	52	11	50	7
CAL019	-20.7402	120.4398	24	-60	270	47	11	51	4
CAL020	-20.7396	120.4418	23	-60	270	53	12	59	3
CAL021	-20.7389	120.4437	30	-60	270	66	19	53	2
CAL022	-20.7380	120.4206	16	-60	270	34	7	47	1
CAL023	-20.7381	120.4226	18	-60	270	47	10	49	5
CAL024	-20.7381	120.4245	21	-60	270	57	9	58	5
CAL025	-20.7382	120.4264	44	-60	270	41	10	92	4
CAL026	-20.7382	120.4265	22	-60	270	37	9	71	5
CAL027	-20.7798	120.4422	22	-60	270	42	9	54	1
CAL028	-20.7802	120.4439	30	-60	270	46	9	60	1
CAL029	-20.7801	120.4459	35	-60	270	48	10	42	2
CAL030	-20.7805	120.4458	60	-60	270	9	10	14	1
CAL031	-20.7804	120.4480	43	-60	270	7	6	19	3
CAL032	-20.7824	120.4565	42	-60	270	9	28	38	1
CAL033	-20.7827	120.4585	22	-60	270	9	7	75	1
CAL034	-20.7832	120.4604	31	-60	270	78	19	61	1
CAL035	-20.7833	120.4620	37	-60	270	121	711	341	81
CAL036	-20.6796	120.4371	30	-60	270	85	131	280	4
CAL037	-20.6797	120.4380	31	-60	270	30	24	108	2
CAL038	-20.6797	120.4381	30	-60	270	73	70	128	23
CAL039	-20.6797	120.4388	31	-60	270	54	18	107	3
CAL040	-20.6797	120.4390	20	-60	270	41	5	73	1

Callawa aircore drilling results

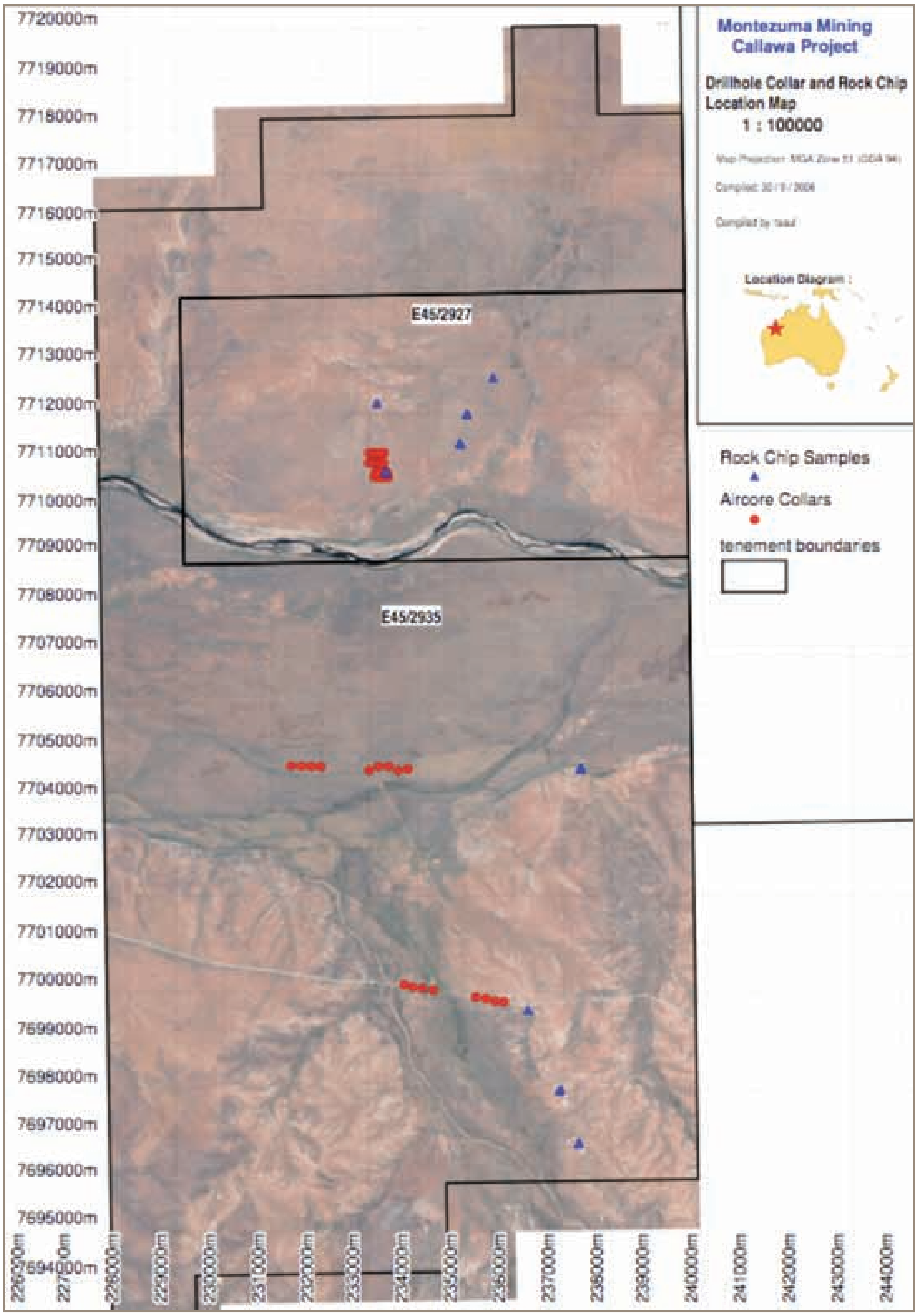


Figure 3: *Callaway Project drillhole and rockchip location plan*

TALGA (MZM 90%)

The Talga Project comprises a single exploration licence E45/2680 covering 224 km2 located approximately 23 km east-north-east of Marble Bar in Western Australia. Montezuma holds a 90% beneficial interest in the tenement excluding tin, tantalum and lithium.

Previously reported soil sampling data over an initial 8 km2 section of tenement E45/2680 has returned highly encouraging gold results with the programme defining two coherent intersecting gold anomalies with a peak value of 306 ppb. Regional background gold levels are less than 5 ppb.

The anomalism overlies a portion of a prospective corridor covering some 15km of strike between the Talga Talga gold mining centre to the immediate west of Montezuma's ground and the high grade drill intercepts announced by Mining Projects Group Ltd from work to the immediate east of the tenement, including 7m @ 3.78 g/t Au from surface.

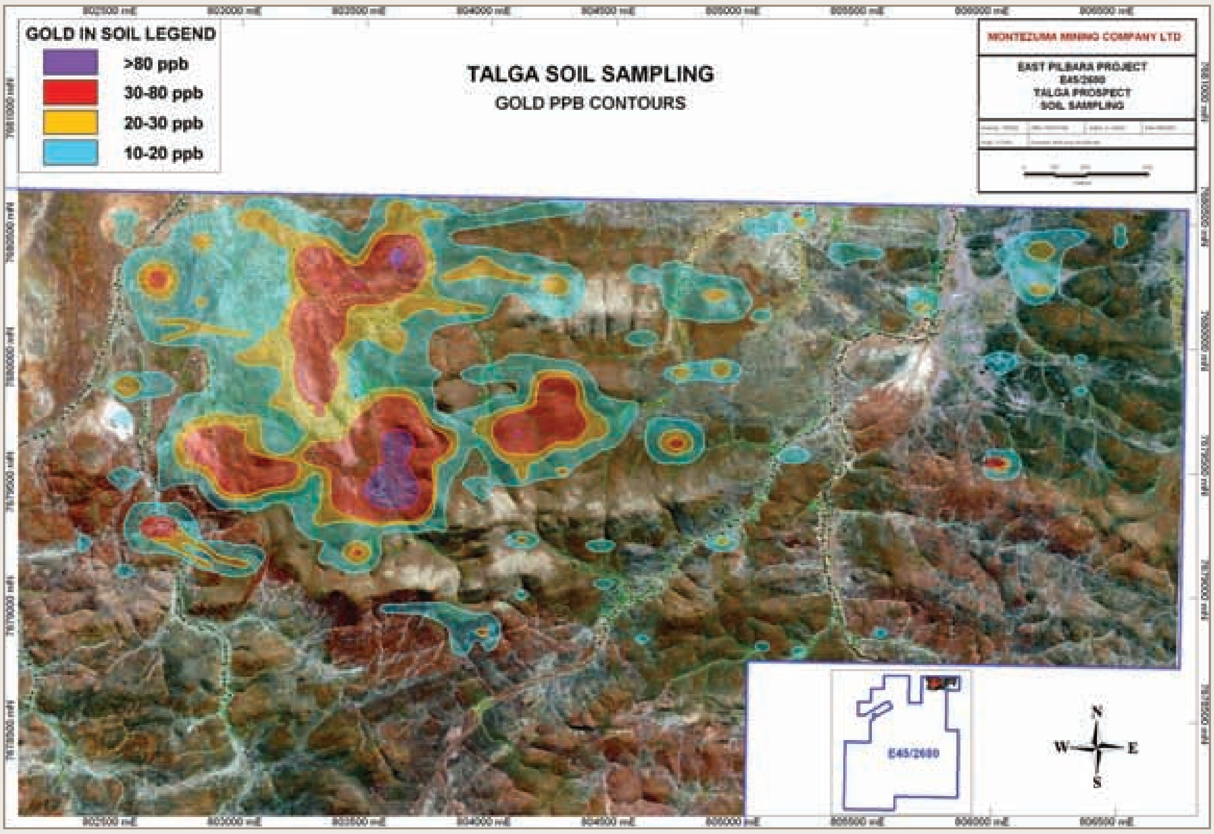


Figure 4: *Talga Soil Sampling*

Montezuma's licence covers some 10 km of strike over this mineralised corridor of which the current programmed has tested approximately half. Evaluation of the data is ongoing and follow up work is anticipated to further test the potential for economic gold mineralization.

ROBINSON RANGE (MZM 100%)

Montezuma and their Joint Venture partners Greater Pacific Gold Limited ("GPG") agreed in August 2008 to terminate the Joint Venture arrangement. Each party will retain the tenure that was brought into the JV.

Consequently Montezuma now has a 100% ownership of a smaller area of tenure covering several major drainage channels prospective for Yeelirrie style calcrete-hosted uranium mineralisation. Once the tenements are granted this potential will be further explored.

PILGANGOORA (MZM 90%, TRAFFORD RESOURCES LIMITED EARNING 70% OF GOLD RIGHTS)

Review of existing data has previously highlighted significant potential for the discovery of economic gold mineralisation with numerous high-grade intersections from previous work including values of 9m @ 11.4g/t gold from 3m and 6m @ 4.72g/t gold from 27m at the McPhees South Prospect.

Trafford Resources Ltd holds 10 prospecting licences and applications for an additional two licenses that cover approximately 10 km of strike of the Iron Stirrup Ultramafic, which is prospective for nickel sulphide mineralisation and which also extends into Montezuma's Pilgangoora tenement. Trafford's leases also cover several of the historic Lynas Find gold deposits previously exploited by Lynas Gold.

Montezuma and Trafford have entered into a split commodity agreement whereby Montezuma can earn a 70% interest in the nickel rights over Trafford's tenements and Trafford can earn a 70% interest in the gold rights over Montezuma's tenement, each by completing a Bankable Feasibility Study within five years.

Once completed the deal will pave the way for Trafford to increase its gold resource base in the area and increase the potential for the discovery of sufficient resources to move into production, and will give Montezuma access to a significantly increased strike extent of stratigraphy prospective for nickel sulphide mineralisation.

EGERTON PROJECT (MZM 100%)

Montezuma has applied for a single exploration licence (E52/2117) that covers the interpreted strike extension of the high grade Hibernian gold deposit.

Exploration will commence once the tenement has been granted.

LAKE WHITE (MZM 100%)

In the previous annual reporting period, Montezuma applied for two exploration licences (E69/2366 and E69/2367) covering approximately 600 km2 as a result of a review of radiometric data released in February 2007 by the DoIR. The data highlights several areas of radiometric anomalism associated with basin sediments and calcrete drainage systems.

The project is prospective for sandstone hosted and calcrete hosted uranium mineralization. Both applications are still pending and work to define targets for follow up testing will resume once the licences have been granted.

BANGEMALL BASIN (MZM 100%)

Montezuma has applied for an exploration licence (E52/2082) in the Bangemall Basin area, immediately east of Encounter Resources Tchintaby Well uranium and base metals project.

The tenement contains an area of radiometric anomalism associated with mapped calcrete and is prospective for secondary calcrete hosted uranium mineralization. The application is still pending and work to define targets for follow up testing will resume once the licence has been granted.

CURLEW PROJECT (MZM 90%)

Activity during the year on the Curlew Project (E45/2548 and E45/2769) included reconnaissance, data integration and review, and assessment of the potential for economic mineralisation within the project. Work in this regard is ongoing and follow up work will be undertaken as warranted.

ANNUAL FINANCIAL REPORT

CONTENTS

DIRECTORS' REPORT

Your directors submit their report on the consolidated entity (referred to hereafter as the Group) consisting of Montezuma Mining Company Limited and the entities it controlled at the end of, or during, the year ended 30 June 2008.

DIRECTORS

The names and details of the Company's directors in office during the financial year and until the date of this report are as follows. Where applicable, all current and former directorships held in listed public companies over the last three years have been detailed below. Directors were in office for this entire period unless otherwise stated.

NAMES, QUALIFICATIONS, EXPERIENCE AND SPECIAL RESPONSIBILITIES

Denis O'Meara, JP, AMAusIMM (Non Executive Chairman)

Mr O'Meara is a Prospector and founder of De Grey Mining Ltd. Mr O'Meara has a lifelong involvement in mining, prospecting and exploration. He has been involved in several major resource and exploratory discoveries in Western Australia including Miralga Creek, Sulphur Springs, Gorge Range, Indee (Wingina and Orchard Tank Well) (Pilbara), Horans Dam (Kalgoorlie), Triangle Bore (Mt Magnet) and Weld Range (Murchison). His activities have supported several corporate fund raisings/listings since 1969. His prospecting has also led to joint ventures with 17 companies. Mr O'Meara is the discoverer of the Beyondie Bluff gold and base metal anomalies and originally sampled for gold at the Indee Turner River Gold Belt in 1987. He was awarded AMEC Prospector of the Year in 2004, jointly with Geoff Blackburn.

Mr O'Meara has served as an Executive Councillor of AMEC, a board member of AGIC (Australian Gold Industry Council) for its 10-year duration and board member of the Port Hedland Port Authority from 1972 to 1985. He also received a National Outstanding Achievement Award - Greening Australia, 1991 and served as a board member of the Kings Park and Botanical Gardens, Perth, 1994 - 1996. Denis is currently a director of Shaw River Resources Limited. Within the last 3 years Mr O'Meara has been a former director of De Grey Mining Limited.

Justin Brown, B.Sc. (Hon), (Managing Director)

Mr Brown is a geologist with extensive experience in minerals exploration in Australia and New Zealand. He has a strong technical background with experience in the full spectrum of mineral exploration and mining from grass roots target generation through to resource mining and mine production.

Mr Brown's previous experience in the mining industry culminated in a position managing exploration for a large multinational company in the Leonora, Edjudina and Marvel Loch regions of Western Australia. He is the founding Managing Director of the Company.

Mr Brown has also worked in business circles away from mining and exploration, having founded and operated a successful internet services consultancy enhancing his management expertise which he brings to the Board. Mr Brown has not held any former directorships in the last 3 years.

Terrence Grammer, (Non Executive Director, audit committee member)

Mr Grammer is a geologist with over 30 years experience in mining and mineral exploration with extensive experience in Australia, Southern Africa, East Asia & New Zealand and has operated in Western Australia since 1988. He has extensive experience in exploring for gold and base metals.

Mr Grammer was awarded The Association of Mining and Exploration Companies (AMEC) Prospector of the Year Award (jointly with Mr Anthony Rovira) in 2000 for the Discovery of Jubilee Mines NL's Cosmos Nickel Deposit. The initial Cosmos discovery defined a resource of approximately 400,000t @ 8.2% Ni. The project has grown significantly since then.

He was also a founder and promoter in 1999 of the successful nickel explorer Western Areas NL where he was the Exploration Manager from 2000 until retiring in 2004.

Mr Grammer became a Non Executive Director of Hannans Reward Ltd and, after assisting a $3.4m refunding of Hannans, became an Executive Director in January 2007. Mr Grammer is also the Non Executive Chairman of South Boulder Mines Limited. Mr Grammer has not held any former directorships in the last 3 years.

Ian "Inky" Cornelius, (Non Executive Director, audit committee member)

Mr Cornelius has had over 40 years experience in the minerals and petroleum industry. He spent the first nine years of his career with the Western Australian Department of Mines before leaving to manage his own tenement consulting business. Since 1976 he has held senior executive positions in a number of public exploration and mining companies. In this capacity he has had extensive experience and success in the selection, management and development of deposits of many commodities. Inky is a non-executive director of Pancontinental Oil & Gas NL, Austral Africa Resources Ltd, and Alkane Exploration Ltd.

Inky has not held any former directorships in the last 3 years.

COMPANY SECRETARY

John Ribbons, B.Bus., CPA, ACIS

Mr Ribbons is an accountant who has worked within the resources industry for over fourteen years in the capacity of company accountant, group financial controller or company secretary.

Mr Ribbons has extensive knowledge and experience with ASX listed production and exploration companies. He has considerable site based experience with operating mines and has also been involved with the listing of several exploration companies on ASX. Mr Ribbons has experience in capital raising, ASX compliance and regulatory requirements.

Interests in the shares and options of the Company and related bodies corporate

As at the date of this report, the interests of the directors in the shares and options of Montezuma Mining Company Limited were:

	Ordinary Shares	Options over Ordinary Shares
Denis O'Meara	700,000	1,102,500
Justin Brown	1,100,000	3,512,500
Terrance Grammer	1,026,000	2,006,500
Ian Cornelius	320,000	305,000

PRINCIPAL ACTIVITIES

During the year the Group carried out exploration on its tenements and applied for or acquired additional tenements with the objective of identifying economic mineral deposits.

There was no significant change in the nature of the Group's activities during the year.

DIVIDENDS

No dividends were paid or declared during the financial year. No recommendation for payment of dividends has been made.

REVIEW OF OPERATIONS

FINANCE REVIEW

The Group began the financial year with a cash reserve of $2,742,423. During the year the Group completed two separate placements to sophisticated and institutional investors resulting in the issue of 9,187,567 ordinary shares to raise $1.62 million (before costs). Funds were used to acquire and actively advance the Group's projects located in Australia.

During the year total tenement acquisition and exploration expenditure incurred by the Group amounted to $1,997,325. In line with the Group's accounting policies, all exploration expenditure was written off at year end. Net administration expenditure incurred amounted to $310,100. This has resulted in an operating loss after income tax for the year ended 30 June 2008 of $2,307,425 (2007: $1,535,169).

At 30 June 2008 surplus funds available totalled $1,352,312.

OPERATING RESULTS FOR THE YEAR

Summarised operating results are as follows:

	2008	
	Revenues $	Results $
Consolidated entity revenues and loss from ordinary activities before income tax expense	440,651	(2,307,425)

SHAREHOLDER RETURNS

	2008	2007
Basic loss per share (cents)	(6.1)	(6.5)

RISK MANAGEMENT

The board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that activities are aligned with the risks and opportunities identified by the board.

The Group believes that it is crucial for all board members to be a part of this process, and as such the board has not established a separate risk management committee.

The board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the board. These include the following:

- Board approval of a strategic plan, which encompasses strategy statements designed to meet stakeholders needs and manage business risk.
- Implementation of board approved operating plans and budgets and board monitoring of progress against these budgets.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Significant changes in the state of affairs of the Company during the financial year were as follows:

- During September 2007 the Company completed a placement to sophisticated and institutional investors of 4,815,900 ordinary shares, with one free attaching listed option for every four shares issued, to raise $963,180 (before costs).

- During February 2008 the Company completed a placement to sophisticated and institutional investors of 4,371,667 ordinary shares, with one free attaching listed option for every four shares issued, to raise $655,750 (before costs).

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

No matters or circumstances, besides those disclosed at note 24, have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Company expects to maintain the present status and level of operations and hence there are no likely developments in the Company's operations.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Group is subject to significant environmental regulation in respect to its exploration activities.

The Group aims to ensure the appropriate standard of environmental care is achieved, and in doing so, that it is aware of and is in compliance with all environmental legislation. The directors of the Group are not aware of any breach of environmental legislation for the year under review.

REMUNERATION REPORT

The remuneration report is set out under the following main headings:

A Principles used to determine the nature and amount of remuneration

B Details of remuneration

C Service agreements

D Share-based compensation

E Additional information

The information provided in this remuneration report has been audited as required by section 308(3C) of the Corporations Act 2001.

A PRINCIPLES USED TO DETERMINE THE NATURE AND AMOUNT OF REMUNERATION

Remuneration Policy

The remuneration policy of Montezuma Mining Company Limited has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the Company's financial results. The board of Montezuma Mining Company Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the Company.

The board's policy for determining the nature and amount of remuneration for board members and senior executives of the Company is as follows:

The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed by the board. All executives receive a base salary (which is based on factors such as length of service and experience) and superannuation. The board reviews executive packages annually by reference to the Company's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.

The board may exercise discretion in relation to approving incentives, bonuses and options. The policy is designed to attract and retain the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

Executives are also entitled to participate in the employee share and option arrangements.

The executive directors and executives receive a superannuation guarantee contribution required by the government, which is currently 9%, and do not receive any other retirement benefits.

All remuneration paid to directors and executives is valued at the cost to the Company and expensed. Options are valued using the Black-Scholes methodology.

The board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The board determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting (currently $200,000). Fees for non-executive directors are not linked to the performance of the Company. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the Company.

Performance based remuneration

The Company currently has no performance based remuneration component built into director and executive remuneration packages.

Company performance, shareholder wealth and directors' and executives' remuneration

The remuneration policy has been tailored to increase the direct positive relationship between shareholders investment objectives and directors and executives performance. Currently, this is facilitated through the issue of options to the majority of directors and executives to encourage the alignment of personal and shareholder interests. The Company believes this policy will be effective in increasing shareholder wealth. At commencement of mine production, performance based bonuses based on key performance indicators are expected to be introduced. For details of directors and executives interests in options at year end, refer to note 15 of the financial statements.

B DETAILS OF REMUNERATION

Details of the remuneration of the directors, the key management personnel of the Group (as defined in AASB 124 Related Party Disclosures) and specified executives of Montezuma Mining Company Limited and the Montezuma Mining Company Group are set out in the following table.

The key management personnel of Montezuma Mining Company Limited and the Group include the directors and company secretary as per pages 22 and 23.

Given the size and nature of operations of Montezuma Mining Company Limited and the Group, there are no other employees who are required to have their remuneration disclosed in accordance with the Corporations Act 2001.

Key management personnel and other executives of Montezuma Mining Company Limited and the Group

	Short-Term		Post Employment		Share-based Payments	Total
	Salary & Fees	Non Monetary	Superannuation	Retirement benefits	Options	
	$	$	$	$	$	$
Directors						
Denis O'Meara						
2008	**50,000**	**1,786**	**4,500**	**-**	**-**	**56,286**
2007	33,331	1,662	3,000	-	-	37,993
Justin Brown						
2008	**150,385**	**1,786**	**13,535**	**-**	**164,250**	**329,956**
2007	105,673	1,662	7,711	-	-	115,046

Terrance Grammer						
2008	**25,000**	**1,786**	**2,250**	**-**	**-**	**29,036**
2007	16,575	1,662	1,492	-	-	19,729
Ian Cornelius						
2008	**35,000**	**1,786**	**-**	**-**	**-**	**36,786**
2007	23,334	1,662	-	-	-	24,996
Other key management personnel						
John Ribbons						
2008	-	-	-	-	-	-
2007	-	-	-	-	-	-
Total key management personnel compensation						
2008	**260,385**	**7,144**	**20,285**	**-**	**164,250**	**452,064**
2007	178,913	6,648	12,203	-	-	197,764

C SERVICE AGREEMENTS

The details of service agreements of the key management personnel of Montezuma Mining Company Limited and the Group are as follows:

Justin Brown, Managing Director:

- Term of agreement – two-year term commencing 7 November 2006.
- Annual salary of $160,000 (plus 9% statutory superannuation) plus the provision of income protection insurance, to be reviewed annually.
- Payment of termination benefit on early termination by the Company, other than for gross misconduct, equal to six months total salary.

D SHARE-BASED COMPENSATION

Options are issued to directors and executives as part of their remuneration. The options are not issued based on performance criteria, but are issued to the majority of directors and executives of Montezuma Mining Company Limited to increase goal congruence between executives, directors and shareholders. The following options were granted to or vesting with key management personnel during the year:

	Grant Date	Granted Number	Vesting Date	Expiry Date	Exercise Price (cents)	Value per option at grant date (cents)	Exercised Number	% of Remuneration
Directors								
Justin Brown	23/07/2007	1,500,000	23/07/2007	23/07/2011	35	10.9	N/A	49.8

There were no ordinary shares issued upon exercise of remuneration options to directors or other key management personnel of Montezuma Mining Company Limited during the year.

E ADDITIONAL INFORMATION

Performance income as a proportion of total compensation

No performance based bonuses have been paid to key management personnel during the financial year.

DIRECTORS' MEETINGS

During the year the Company held seven meetings of directors. The attendance of directors at meetings of the board were:

	Directors Meetings	
	A	B
Denis O'Meara	6	7
Justin Brown	7	7
Terrance Grammer	7	7
Ian Cornelius	4	7

Notes

A - Number of meetings attended.

B - Number of meetings held during the time the director held office during the year.

SHARES UNDER OPTION

At the date of this report there are 23,500,267 unissued ordinary shares in respect of which options are outstanding.

	Number of options
Balance at the beginning of the year	17,713,375
Movements of share options during the year	
Issued, exercisable at 20 cents, on or before 31 August 2011	2,296,892
Issued, exercisable at 20 cents, on or before 2 March 2012	700,000
Issued, exercisable at 35 cents, on or before 23 July 2011	1,500,000
Issued, exercisable at 35 cents, on or before 31 August 2011	1,000,000
Cancelled, exercisable at 20 cents, on or before 2 March 2012	(210,000)
Total number of options outstanding as at 30 June 2008	**23,000,267**
Issued subsequent to year end	500,000
Total number of options outstanding at the date of this report	**23,500,267**

The balance is comprised of the following:

Expiry date	Exercise price (cents)	Number of options
23 July 2011	35	1,500,000
31 August 2011	20	16,150,267
31 August 2011	35	4,500,000
2 March 2012	20	1,350,000
Total number of options outstanding at the date of this report		**23,500,267**

No person entitled to exercise any option referred to above has or had, by virtue of the option, a right to participate in any share issue of any other body corporate.

INSURANCE OF DIRECTORS AND OFFICERS

During or since the financial year, the Company has paid premiums insuring all the directors of Montezuma Mining Company Limited against costs incurred in defending proceedings for conduct involving:

(a) a wilful breach of duty; or

(b) a contravention of sections 182 or 183 of the *Corporations Act 2001*, as permitted by section 199B of the *Corporations Act 2001*.

The total amount of insurance contract premiums paid is $6,500.

NON-AUDIT SERVICES

The following non-audit services were provided by the entity's auditor, Rothsay Chartered Accountants or associated entities. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- All non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor;
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants.*

Rothsay Chartered Accountants received or are due to receive the following amounts for the provision of non-audit services:

	2008 $	2007 $
Investigating accountants report	-	10,000
Tax compliance services	**1,500**	500
	1,500	10,500

PROCEEDINGS ON BEHALF OF THE COMPANY

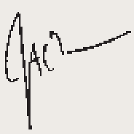
No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the Corporations Act 2001.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 30.

Signed in accordance with a resolution of the directors.



Justin Brown

Managing Director

Perth, 19 September 2008

ROTHSAY

Level 18, 6 O'Connell Street, Sydney NSW 2000 G.P.O. Box 2759, Sydney NSW 2001
Phone 8815 5400 Facsimile 8815 5401 E-mail swan2000@bigpond.com

The Directors
Montezuma Mining Company Ltd
PO Box 8535
Perth Business Centre WA 6849

Dear Sirs,

In accordance with Section 307C of the Corporations Act 2001 (the "Act") I hereby declare that to the best of my knowledge and belief there have been:

i) no contraventions of the auditor independence requirements of the Act in relation to the audit of the 30 June 2008 annual financial statements; and

ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Graham Swan (Lead auditor)

Rothsay Chartered Accountants

Dated 18 September 2008

Chartered Accountants

Liability limited by the Accountants Scheme, approved under the Professional Standards Act 1994 (NSW).

The Board of Directors

The Company's constitution provides that the number of directors shall not be less than three and not more than nine. There is no requirement for any share holding qualification.

As and if the Company's activities increase in size, nature and scope the size of the board will be reviewed periodically, and as circumstances demand. The optimum number of directors required to supervise adequately the Company's constitution will be determined within the limitations imposed by the constitution.

The membership of the board, its activities and composition, is subject to periodic review. The criteria for determining the identification and appointment of a suitable candidate for the board shall include quality of the individual, background of experience and achievement, compatibility with other board members, credibility within the Company's scope of activities, intellectual ability to contribute to board's duties and physical ability to undertake board's duties and responsibilities.

Directors are initially appointed by the full board subject to election by shareholders at the next general meeting. Under the Company's constitution the tenure of a director (other than managing director, and only one managing director where the position is jointly held) is subject to reappointment by shareholders not later than the third anniversary following his or her last appointment. Subject to the requirements of the Corporations Act 2001, the board does not subscribe to the principle of retirement age and there is no maximum period of service as a director. A managing director may be appointed for any period and on any terms the directors think fit and, subject to the terms of any agreement entered into, may revoke any appointment.

The board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the formation of separate or special committees (other than an Audit Committee) at this time. The board as a whole is able to address the governance aspects of the full scope of the Company's activities and to ensure that it adheres to appropriate ethical standards.

Role of the Board

The board's primary role is the protection and enhancement of long-term shareholder value.

To fulfil this role, the board is responsible for oversight of management and the overall corporate governance of the Company including its strategic direction, establishing goals for management and monitoring the achievement of these goals.

Appointments to Other Boards

Directors are required to take into consideration any potential conflicts of interest when accepting appointments to other boards.

Independent Professional Advice

The board has determined that individual directors have the right in connection with their duties and responsibilities as directors, to seek independent professional advice at the Company's expense. With the exception of expenses for legal advice in relation to director's rights and duties, the engagement of an outside adviser is subject to prior approval of the Chairman and this will not be withheld unreasonably.

Continuous Review of Corporate Governance

Directors consider, on an ongoing basis, how management information is presented to them and whether such information is sufficient to enable them to discharge their duties as directors of the Company. Such information must be sufficient to enable the directors to determine appropriate operating and financial strategies from time to time in light of changing circumstances and economic conditions. The directors recognise that mineral exploration is an inherently risky business and that operational strategies adopted should, notwithstanding, be directed towards improving or maintaining the net worth of the Company.

ASX Principles of Good Corporate Governance

The board has reviewed its current practices in light of the revised ASX Corporate Governance Principles and Recommendations with a view to making amendments where applicable after considering the Company's size and the resources it has available.

As the Company's activities develop in size, nature and scope, the size of the board and the implementation of any additional formal corporate governance committees will be given further consideration.

The board has early adopted the revised Recommendations and the following table sets out the Company's present position in relation to each of the revised Principles.

	ASX Principle	Status	Reference/comment
Principle 1:	**Lay solid foundations for management and oversight**		
1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions	**A**	Matters reserved for the board are included on the Company's website.
1.2	Companies should disclose the process for evaluating the performance of senior executives	**N/A**	The remuneration of executive and non – executive directors is reviewed by the board with the exclusion of the Director concerned. The remuneration of management and employees is reviewed by the Managing Director and approved by the Board. Acting in its ordinary capacity, the board from time to time carries out the process of considering and determining performance issues.
1.3	Companies should provide the information indicated in the Guide to reporting on Principle 1	**A (in part)**	
Principle 2:	**Structure the board to add value**		
2.1	A majority of the board should be independent directors	**A**	
2.2	The chair should be an independent director	**A**	
2.3	The roles of chair and chief executive officer should not be exercised by the same individual	**A**	The positions of Chairman and Managing Director are held by separate persons.
2.4	The board should establish a nomination committee	**A**	The full board is the nomination committee. Acting in its ordinary capacity from time to time as required, the board carries out the process of determining the need for screening and appointing new Directors. In view of the size and resources available to the Company it is not considered that a separate nomination committee would add any substance this process.
2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors	**N/A**	Given the size and nature of the Company a formal process for evaluating performance has not been developed.
2.6	Companies should provide the information indicated in the Guide to reporting on Principle 2	**A (in part)**	The skills and experience of Directors are set out in the Company's Annual Report and on its website.

A = ADOPTED *N/A = NOT ADOPTED*

	ASX Principle	Status	Reference/comment
Principle 3:	**Promote ethical and responsible decision-making**		
3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to: • the practices necessary to maintain confidence in the Company's integrity • the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders • the responsibility and accountability of individuals for reporting and investigating reports of unethical practices	**A**	The Company has formulated a Code of Conduct which can be viewed on the Company's website.
3.2	Companies should establish a policy concerning trading in Company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy	**A**	The Company has formulated a securities trading policy, which can be viewed on the Company's website.
3.3	Companies should provide the information indicated in the Guide to reporting on Principle 3	**A**	
Principle 4:	**Safeguard integrity in financial reporting**		
4.1	The board should establish an audit committee	**A**	The Company has established an audit committee which comprises two non executive directors and the company secretary. The charter for this committee is disclosed on the Company's website.
4.2	The audit committee should be structured so that it:	**A**	
	• consists only of non-executive directors	**b**	
	• consists of a majority of independent directors	**b**	
	• is chaired by an independent chair, who is not chair of the board	**b**	
	• has at least three members	**b**	
4.3	The audit committee should have a formal charter	**A**	
4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4	**A**	

A = ADOPTED *N/A = NOT ADOPTED*

	ASX Principle	Status	Reference/comment
Principle 5:	**Make timely and balanced disclosure**		
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies	**A**	The Company has instigated internal procedures designed to provide reasonable assurance as to the effectiveness and efficiency of operations, the reliability of financial reporting and compliance with relevant laws and regulations. The board is acutely aware of the continuous disclosure regime and there are strong informal systems in place to ensure compliance, underpinned by experience.
5.2	Companies should provide the information indicated in the Guide to reporting on Principle 5	**A**	The Board receives monthly reports on the status of the Company's activities and any new or proposed activities. Disclosure is reviewed as a routine agenda item at each board meeting.
Principle 6:	**Respect the rights of shareholders**		
6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy	**A**	In line with adherence to continuous disclosure requirements of ASX, all shareholders are kept informed of major developments affecting the Company. This disclosure is through regular shareholder communications including the Annual Reports, Half Yearly Reports, Quarterly Reports, the Company Website and the distribution of specific releases covering major transactions and events or other price sensitive information.
6.2	Companies should provide the information indicated in the Guide to reporting on Principle 6	**A**	The Company has formulated a Communication Policy which can be viewed on the Company's website.
Principle 7:	**Recognise and manage risk**		
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies	**A**	While the Company does not have formalised policies on risk management the board recognises its responsibility for identifying areas of significant business risk and for ensuring that arrangements are in place for adequately managing these risks. This issue is regularly reviewed at board meetings and risk management culture is encouraged amongst employees and contractors. Determined areas of risk which are regularly considered include: • performance and funding of exploration activities • budget control and asset protection • status of mineral tenements • land access and native title considerations • compliance with government laws and regulations • safety and the environment • continuous disclosure obligations • share market conditions • economic risk

A = ADOPTED N/A = NOT ADOPTED

	ASX Principle	Status	Reference/comment
7.2	The board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks	**N/A**	While the Company does not have formalised policies on risk management it recognises its responsibility for identifying areas of significant business risk and for ensuring that arrangements are in place for adequately managing these risks. This issue is regularly reviewed at board meetings and risk management culture is encouraged amongst employees and contractors.
7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks	**A**	
7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7	**N/A**	
Principle 8:	**Remunerate fairly and responsibly**		
8.1	The board should establish a remuneration committee	**A**	The full Board carries out the duties that would normally fall to the Remuneration Committee.
8.2	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives	**A**	
8.3	Companies should provide the information indicated in the Guide to reporting on Principle 8	**A**	For details on the Remuneration Committee refer to the Annual Report and the Corporate Governance section of the Company's website.

A = ADOPTED N/A = NOT ADOPTED

INCOME STATEMENT YEAR ENDED 30 JUNE 2008

	Notes	Consolidated		Parent Entity	
		2008	2007	2008	2007
		$	$	$	$
REVENUE FROM CONTINUING OPERATIONS	4	121,051	131,161	121,051	131,161
Other income	5	319,600	-	319,600	-
EXPENDITURE					
Depreciation expense		(16,015)	(3,379)	(16,015)	(3,379)
Salaries and employee benefits expense		(131,029)	(117,520)	(131,029)	(117,520)
Exploration expenditure		(1,997,325)	(1,363,187)	(1,997, 325)	(1,363,187)
Secretarial and share registry expenses		(51,639)	(37,498)	(51,639)	(37,498)
Administration expenses		(145,740)	(61,754)	(145,740)	(61,754)
Share based payment expense	27	(286,210)	(38,272)	(286,210)	(38,272)
Other expenses		(120,118)	(44,720)	(120,118)	(44,720)
LOSS BEFORE INCOME TAX		(2,307,425)	(1,535,169)	(2,307,425)	(1,535,169)
INCOME TAX	7	-	-	-	-
NET LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF MONTEZUMA MINING COMPANY LIMITED		(2,307,425)	(1,535,169)	(2,307,425)	(1,535,169)
Basic and diluted loss per share for loss attributable to the ordinary equity holders of the company (cents per share)	26	(6.1)	(6.5)		

The above Income Statement should be read in conjunction with the Notes to the Financial Statements.

BALANCE SHEET AT 30 JUNE 2008

	Notes	Consolidated		Parent Entity	
		2008	2007	2008	2007
		$	$	$	$
CURRENT ASSETS					
Cash and cash equivalents	8	1,352,312	2,742,423	1,352,310	2,742,423
Trade and other receivables	9	35,392	26,774	35,392	26,774
Financial assets at fair value through profit or loss	10	321,600	-	321,600	-
TOTAL CURRENT ASSETS		1,709,304	2,769,197	1,709,302	2,769,197
NON-CURRENT ASSETS					
Receivables	11	594,300	-	594,300	-
Other financial assets	12	-	-	2	-
Plant and equipment	13	41,926	20,817	41,926	20,817
TOTAL NON-CURRENT ASSETS		636,226	20,817	636,228	20,817
TOTAL ASSETS		2,345,530	2,790,014	2,345,530	2,790,014
CURRENT LIABILITIES					
Trade and other payables	14	127,541	131,790	127,541	131,790
TOTAL CURRENT LIABILITIES		127,541	131,790	127,541	131,790
TOTAL LIABILITIES		127,541	131,790	127,541	131,790
NET ASSETS		2,217,989	2,658,224	2,217,989	2,658,224
EQUITY					
Issued capital	15	5,608,610	4,027,630	5,608,610	4,027,630
Reserves	16(a)	451,982	165,772	451,982	165,772
Accumulated losses	16(b)	(3,842,603)	(1,535,178)	(3,842,603)	(1,535,178)
TOTAL EQUITY		2,217,989	2,658,224	2,217,989	2,658,224

The above Income Statement should be read in conjunction with the Notes to the Financial Statements.

STATEMENT OF CHANGES IN EQUITY YEAR ENDED 30 JUNE 2008

	Notes	Consolidated		Parent Entity	
		2008	2007	2008	2007
		$	$	$	$
TOTAL EQUITY AT THE BEGINNING OF THE FINANCIAL YEAR		2,658,224	344	2,658,224	344
LOSS FOR THE YEAR		(2,307,425)	(1,535,169)	(2,307,425)	(1,535,169)
TOTAL RECOGNISED INCOME AND EXPENSE FOR THE YEAR ATTRIBUTABLE TO MEMBERS OF MONTEZUMA MINING COMPANY LIMITED		(2,307,425)	(1,535,169)	(2,307,425)	(1,535,169)
Transactions with equity holders in their capacity as equity holders:					
Shares issued during the year	15	1,618,930	4,558,700	1,618,930	4,558,700
Transaction costs	15	(37,950)	(531,423)	(37,950)	(531,423)
Options issued to suppliers	16	-	127,500	-	127,500
Employee share options	16	286,210	38,272	286,210	38,272
		1,867,190	4,193,049	1,867,190	4,193,049
TOTAL EQUITY AT THE END OF THE FINANCIAL YEAR		2,217,989	2,658,224	2,217,989	2,658,224

The above Income Statement should be read in conjunction with the Notes to the Financial Statements.

STATEMENT OF CASH FLOWS YEAR ENDED 30 JUNE 2008

	Notes	Consolidated		Parent Entity	
		2008	2007	2008	2007
		$	$	$	$
CASH FLOWS FROM OPERATING ACTIVITIES					
Payments to suppliers and employees		(457,106)	(214,382)	(457,106)	(214,382)
Interest received		121,051	131,161	121,051	131,161
Expenditure on mining interests		(2,006,739)	(755,330)	(2,006,739)	(755,330)
NET CASH (OUTFLOW) FROM OPERATING ACTIVITIES	25	(2,342,794)	(838,551)	(2,342,794)	(838,551)
CASH FLOWS FROM INVESTING ACTIVITIES					
Payment of environmental bond		(594,300)	-	(594,300)	-
Payment for financial assets at fair value through profit or loss		(2,000)	-	(2,000)	-
Payment for subsidiary, net of cash acquired		-	-	(2)	-
Payments for plant and equipment		(31,997)	(24,196)	(31,997)	(24,196)
NET CASH (OUTFLOW) FROM INVESTING ACTIVITIES		(628,297)	(24,196)	(628,299)	(24,196)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issues of ordinary shares		1,618,930	3,703,200	1,618,930	3,703,200
Payments of share issue costs		(37,950)	(287,923)	(37,950)	(287,923)
NET CASH INFLOW FROM FINANCING ACTIVITIES		1,580,980	3,415,277	1,580,980	3,415,277
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(1,390,111)	2,552,530	(1,390,113)	2,552,530
Cash and cash equivalents at the beginning of the financial year		2,742,423	189,893	2,742,423	189,893
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	8	1,352,312	2,742,423	1,352,310	2,742,423

The above Income Statement should be read in conjunction with the Notes to the Financial Statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statements for Montezuma Mining Company Limited as an individual entity and the consolidated entity consisting of Montezuma Mining Company Limited and its subsidiaries. The financial report is presented in the Australian currency. Montezuma Mining Company Limited is a company limited by shares, domiciled and incorporated in Australia. The financial report was authorised for issue by the directors on 19 September 2008. The directors have the power to amend and reissue the financial report.

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Interpretations and the *Corporations Act 2001*.

Compliance with IFRS

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report of Montezuma Mining Company Limited complies with International Financial Reporting Standards (IFRS).

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss, certain classes of property, plant and equipment and investment property.

(b) Principles of consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Montezuma Mining Company Limited ("Company" or "parent entity") as at 30 June 2008 and the results of all subsidiaries for the year then ended. Montezuma Mining Company Limited and its subsidiaries together are referred to in this financial report as the Group or consolidated entity.

Subsidiaries are all of those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group.

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of identifiable net assets of the subsidiary.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Minority interests in the results and equity of subsidiaries are shown separately in the consolidated income statement and balance sheet respectively.

Investments in subsidiaries are accounted for at cost in the individual financial statements of Montezuma Mining Company Limited.

(c) Segment reporting

A business segment is identified for a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is identified when products or services are provided within a particular economic environment subject to risks and returns that are different from those of segments operating in other economic environments.

(d) Revenue recognition

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial assets.

(e) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

(f) Leases

Leases of property, plant and equipment where the Company, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

Leases where a significant portion of the risks and rewards of ownership are not transferred to the Company as lessee are classified as operating leases (note 21). Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

(g) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(h) Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value, and bank overdrafts.

(i) Trade and other receivables

Receivables are recognised and carried at original invoice amount less a provision for any uncollectible debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

(j) Investments and other financial assets

Classification

The Company classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. If the Company were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, which are classified as current assets.

(iv) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. Investments are designated available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade-date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed to the income statement. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in equity are included in the income statement as gains and losses from investment securities.

Subsequent measurement

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of revenue from continuing operations when the Company's right to receive payments is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in equity. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in equity.

Details on how the fair value of financial investments is determined are disclosed in note 2.

Impairment

The Company assesses at each balance date whether there is objective evidence that a financial asset or Company of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments classified as available-for-sale are not reversed through the income statement.

(k) Plant and equipment

All plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the reporting period in which they are incurred.

Depreciation of plant and equipment is calculated using the reducing balance method to allocate their cost, net of their residual values, over their estimated useful lives. The rates vary between 20% and 40% per annum.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(g)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement. When revalued assets are sold, it is Company policy to transfer the amounts included in other reserves in respect of those assets to retained earnings.

(l) Exploration and evaluation costs

Exploration and evaluation costs are written off in the year they are incurred.

(m) Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. The amounts are unsecured, non-interest bearing and are paid on normal commercial terms.

(n) Employee benefits

(i) Wages and salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the balance sheet date are recognised in other payables in respect of employees' services up to the balance sheet date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Share-based payments

The Company provides benefits to employees (including directors) of the Company in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions'), refer to note 27.

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an internal valuation using a Black-Scholes option pricing model.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of options that, in the opinion of the directors of the Company, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award.

(o) Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

(p) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(q) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(r) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2008 reporting periods. The Company's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8

AASB 8 and AASB 2007-3 are effective for annual reporting periods commencing on or after 1 January 2009. AASB 8 will result in a significant change in the approach to segment reporting, as it requires adoption of a 'management approach' to reporting on financial performance. The information being reported will be based on what the key decision makers use internally for evaluating segment performance and deciding how to allocate resources to operating segments. The Group has not yet decided when to adopt AASB 8. Adoption of AASB 8 may result in different segments, segment results and different types of information being reported in the segment note of the financial report. However, at this stage, it is not expected to affect any of the amounts recognised in the financial statements.

(ii) Revised AASB 101 Presentation of Financial Statements and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101

A revised AASB 101 was issued in September 2007 and is applicable for annual reporting periods beginning on or after 1 January 2009. It requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. If an entity has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheet (statement of financial position), this one being as at the beginning of the comparative period. The Group intends to apply the revised standard from 1 July 2009.

(s) Critical accounting judgements, estimates and assumptions

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are:

Share based payment transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an internal valuation using a Black-Scholes option pricing model, using the assumptions detailed in note 27.

2. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

Risk management is carried out by the full board of directors as the Group believes that it is crucial for all board members to be involved in this process. The managing director, with the assistance of senior management as required, has responsibility for identifying, assessing, treating and monitoring risks and reporting to the board on risk management.

(a) Market risk

(i) Foreign exchange risk

As all operations are currently within Australia, neither the Group nor the parent entity are exposed to foreign exchange risk.

(ii) Price risk

Given the current level of operations, neither the Group nor the parent entity are exposed to price risk.

(iii) Interest rate risk

The Group and the parent entity are exposed to movements in market interest rates on cash and cash equivalents. The Group policy is to monitor the interest rate yield curve out to six months to ensure a balance is maintained between the liquidity of cash assets and the interest rate return. The entire balance of cash and cash equivalents for the Group $1,352,312 (2007: $2,742,423) and the parent entity $1,352,310 (2007: $2,742,423) are subject to interest rate risk. The proportional mix of floating interest rates and fixed rates to a maximum of six months fluctuate during the year depending on current working capital requirements. The weighted average interest rate received on cash and cash equivalents by the Group and the parent entity was 7.5% (2007: 6.4%).

Sensitivity analysis

At 30 June 2008, if interest rates had changed by -/+ 80 basis points from the weighted average rate for the year with all other variables held constant, post-tax loss for both the Group and the parent entity would have been $13,000 lower/higher (2007 - $16,500 lower/higher) as a result of lower/higher interest income from cash and cash equivalents.

(b) Credit risk

Neither the Group nor the parent entity have any significant concentrations of credit risk. The maximum exposure to credit risk at balance date is the carrying amount (net of provision for impairment) of those assets as disclosed in the balance sheet and notes to the financial statements.

As the Group does not presently have any debtors, lending, significant stock levels or any other credit risk, a formal credit risk management policy is not maintained.

(c) Liquidity risk

The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and ensuring sufficient cash and marketable securities are available to meet the current and future commitments of the Group. Due to the nature of the Group's activities, being mineral exploration, the Group does not have ready access to credit facilities, with the primary source of funding being equity raisings. The Board of Directors constantly monitor the state of equity markets in conjunction with the Group's current and future funding requirements, with a view to initiating appropriate capital raisings as required.

The financial liabilities of the Group and the parent entity are confined to trade and other payables as disclosed in the Balance Sheet. All trade and other payables are non-interest bearing and due within 12 months of the balance sheet date.

(d) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. All financial assets and financial liabilities of the Group and the parent entity at the balance date are recorded at amounts approximating their carrying amount.

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature.

3. SEGMENT INFORMATION

Description of segments

The Group's operations are in the mining industry in Australia.

4. REVENUE

	Consolidated 2008 $	Consolidated 2007 $	Parent Entity 2008 $	Parent Entity 2007 $
From continuing operations				
Other revenue				
Interest	121,051	131,161	121,051	131,161

5. OTHER INCOME

Fair value gains on financial assets at fair value through profit or loss	319,600	-	319,600	-

6. EXPENSES

Loss before income tax includes the following specific expenses:				
Minimum lease payments relating to operating leases	19,500	12,752	19,500	12,752

7. INCOME TAX

(a) Income tax expense/(benefit)				
Current tax	-	-	-	-
Deferred tax	-	-	-	-
	-	-	-	-
(b) Numerical reconciliation of income tax expense to prima facie tax payable				
Loss from continuing operations before income tax expense	(2,307,425)	(1,535,169)	(2,307,425)	(1,535,169)
Prima facie tax benefit at the Australian tax rate of 30% (2007: 30%)	(692,228)	(460,551)	(692,228)	(460,551)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Share-based payments	85,863	11,482	85,863	11,482
	(606,365)	(449,069)	(606,365)	(449,069)
Movements in unrecognised temporary differences	1,749	3,331	1,749	3,331
Tax effect of current year tax losses for which no deferred tax asset has been recognised	604,616	445,738	604,616	445,738
Income tax expense/(benefit)	-	-	-	-
(c) Unrecognised temporary differences Deferred Tax Assets (at 30%)				
On Income Tax Account				
Other	5,080	3,332	5,080	3,332
Carry forward tax losses	1,050,357	445,740	1,050,357	445,740
	1,055,437	449,072	1,055,437	449,072
Deferred Tax Liabilities (at 30%)	-	-	-	-

Net deferred tax assets have not been brought to account as it is not probable within the immediate future that tax profits will be available against which deductible temporary differences and tax losses can be utilised.

8. CURRENT ASSETS - CASH AND CASH EQUIVALENTS

	Notes	Consolidated		Parent Entity	
		2008	2007	2008	2007
		$	$	$	$
Cash at bank and in hand		352,312	42,423	352,310	42,423
Short-term deposits		1,000,000	2,700,000	1,000,000	2,700,000
Cash and cash equivalents as shown in the balance sheet and the statement of cash flows		1,352,312	2,742,423	1,352,310	2,742,423

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates.

Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

9. CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

Sundry receivables	29,093	21,071	29,093	21,071
Prepayments	6,299	5,703	6,299	5,703
	35,392	26,774	35,392	26,774

10. CURRENT ASSETS –FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Australian listed equity securities	321,600	-	321,600	-

Changes in fair values of financial assets at fair value through profit or loss are recorded in other income or other expenses in the income statement (notes 5 and 6 respectively).

11. NON-CURRENT ASSETS - RECEIVABLES

Environmental bond	594,300	-	594,300	-

12. NON-CURRENT ASSETS - OTHER FINANCIAL ASSETS

Shares in subsidiary – at cost	23	-	-	2	-

13. NON-CURRENT ASSETS - PLANT AND EQUIPMENT

Plant and equipment				
Cost	61,320	24,196	61,320	24,196
Accumulated depreciation	(19,394)	(3,379)	(19,394)	(3,379)
Net book amount	41,926	20,817	41,926	20,817

Plant and equipment				
Opening net book amount	20,817	-	20,817	-
Additions	37,124	24,196	37,124	24,196
Depreciation charge	(16,015)	(3,379)	(16,015)	(3,379)
Closing net book amount	41,926	20,817	41,926	20,817

14. CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

Trade payables	**84,633**	72,262	**84,633**	72,262
Other payables and accruals	**42,908**	59,528	**42,908**	59,528
	127,541	131,790	**127,541**	131,790

15. ISSUED CAPITAL

(a) Share capital

	Notes	2008 Number of shares	2008 $	2007 Number of shares	2007 $
Ordinary shares fully paid	15(b), 15(d)	**41,293,570**	**5,608,610**	32,106,003	4,027,630
Total issued capital		**41,293,570**	**5,608,610**	32,106,003	4,027,630

(b) Movements in ordinary share capital

	2008 Number of shares	2008 $	2007 Number of shares	2007 $
Beginning of the financial year	**32,106,003**	**4,027,630**	3,500,003	353
Issued during the year:				
- Issued for cash at 20 cents per share	**4,815,900**	**963,180**	-	-
- Issued for cash at 15 cents per share	**4,371,667**	**655,750**	-	-
- Issued for cash at 7.5 cents per share	-	-	2,500,000	187,500
- Issued for cash at 10 cents per share	-	-	1,000,000	100,000
- Issued as consideration for the acquisition of tenements	-	-	6,000,000	450,000
- Issued as consideration for the acquisition of tenements at 20 cents per share	-	-	500,000	100,000
- Issued at IPO for 20 cents per share	-	-	18,023,500	3,604,700
- Issued as consideration for services at 20 cents per share	-	-	580,000	116,000
- Issued on conversion of options (20 cents, 31 August 2011)	-	-	2,500	500
Less: Transaction costs	-	**(37,950)**	-	(531,423)
End of the financial year	**41,293,570**	**5,608,610**	32,106,003	4,027,630

(c) Movements in options on issue

	Number of options 2008	Number of options 2007
Beginning of the financial year	**17,713,375**	7,000,000
Issued during the year:		
- Exercisable at 20 cents, on or before 31 August 2011	**2,296,892**	10,255,875
- Exercisable at 20 cents, on or before 2 March 2012	**700,000**	460,000
- Exercisable at 35 cents, on or before 23 July 2011	**1,500,000**	-
- Exercisable at 35 cents, on or before 31 August 2011	**1,000,000**	-
Options cancelled (20 cents, 2 March 2012)	**(210,000)**	-
Options exercised (20 cents, 31 August 2011)	-	(2,500)
End of the financial year	**23,000,267**	17,713,375

(d) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

(e) Capital risk management

The Group's and the parent entity's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they may continue to provide returns for shareholders and benefits for other stakeholders.

Due to the nature of the Group's activities, being mineral exploration, the Group does not have ready access to credit facilities, with the primary source of funding being equity raisings. Therefore, the focus of the Group's capital risk management is the current working capital position against the requirements of the Group to meet exploration programmes and corporate overheads. The Group's strategy is to ensure appropriate liquidity is maintained to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required. The working capital position of the Group and the parent entity at 30 June 2008 and 30 June 2007 are as follows:

	Consolidated		Parent Entity	
	2008	2007	2008	2007
	$	$	$	$
Cash and cash equivalents	1,352,312	2,742,423	1,352,310	2,742,423
Trade and other receivables	35,392	26,774	35,392	26,774
Financial assets at fair value through profit or loss	321,600	-	321,600	-
Trade and other payables	(127,541)	(131,790)	(127,541)	(131,790)
Working capital position	1,581,763	2,637,407	1,581,761	2,637,407

16. RESERVES AND ACCUMULATED LOSSES

(a) Reserves				
Share-based payments reserve				
Balance at b eginning of year	165,772	-	165,772	-
Employee and contractor share options	286,210	38,272	286,210	38,272
Options issued to suppliers	-	127,500	-	127,500
Balance at end of year	451,982	165,772	451,982	165,772
(b) Accumulated losses				
Balance at beginning of year	(1,535,178)	(9)	(1,535,178)	(9)
Net loss for the year	(2,307,425)	(1,535,169)	(2,307,425)	(1,535,169)
Balance at end of year	(3,842,603)	(1,535,178)	(3,842,603)	(1,535,178)

(c) Nature and purpose of reserves

Share-based payments reserve

The share-based payments reserve is used to recognise the fair value of options issued.

17. DIVIDENDS

No dividends were paid during the financial year. No recommendation for payment of dividends has been made.

18. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Key management personnel compensation

	Consolidated		Parent Entity	
	2008	2007	2008	2007
	$	$	$	$
Short-term benefits	267,529	185,561	267,529	185,561
Post employment benefits	20,285	12,203	20,285	12,203
Other long-term benefits	-	-	-	-
Termination benefits	-	-	-	-
Share-based payments	164,250	-	164,250	-
	452,064	197,764	452,064	197,764

The Company has taken advantage of the relief provided by AASB 2008-4 *Amendments to Australian Accounting Standard – Key Management Personnel Disclosures by Disclosing Entities* and has transferred the detailed remuneration disclosures to the directors' report. The relevant information can be found in sections A-C of the remuneration report on pages 26 to 27.

(b) Equity instrument disclosures relating to key management personnel

(i) Options provided as remuneration and shares issued on exercise of such options

Details of options provided as remuneration and shares issued on the exercise of such options, together with terms and conditions of the options, can be found in section D of the remuneration report on page 27.

(ii) Option holdings

The numbers of options over ordinary shares in the Company held during the financial year by each director of Montezuma Mining Company Limited and other key management personnel of the Company, including their personally related parties, are set out below:

2008	Balance at start of the year	Granted as compensation	Exercised	Other changes	Balance at end of the year	Vested and exercisable	Unvested
Directors of Montezuma Mining Company Limited							
Denis O'Meara	1,102,500	-	-	-	1,102,500	1,102,500	-
Justin Brown	2,012,500	1,500,000	-	-	3,512,500	3,512,500	-
Terrance Grammer	2,006,500	-	-	-	2,006,500	2,006,500	-
Ian Cornelius	305,000	-	-	-	305,000	305,000	-
Other key management personnel of the Company							
John Ribbons	138,334	-	-	-	138,334	138,334	-

All vested options are exercisable at the end of the year.

2007	Balance at start of the year	Granted as compensation	Exercised	Other changes	Balance at end of the year	Vested and exercisable	Unvested
Directors of Montezuma Mining Company Limited							
Denis O'Meara	1,000,000	-	-	102,500	1,102,500	1,102,500	-
Justin Brown	2,000,000	-	-	12,500	2,012,500	2,012,500	-
Terrance Grammer	2,000,000	-	-	6,500	2,006,500	2,006,500	-
Ian Cornelius	-	-	-	305,000	305,000	305,000	-
Other key management personnel of the Company							
John Ribbons	-	-	-	138,334	138,334	138,334	-

18. KEY MANAGEMENT PERSONNEL DISCLOSURES Cont.

(iii) Share holdings

The numbers of shares in the Company held during the financial year by each director of Montezuma Mining Company Limited and other key management personnel of the Company, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

2008	Balance at start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at end of the year
Directors of Montezuma Mining Company Limited				
Ordinary shares				
Denis O'Meara	700,000	-	-	700,000
Justin Brown	1,100,000	-	-	1,100,000
Terrance Grammer	1,026,000	-	-	1,026,000
Ian Cornelius	320,000	-	-	320,000
Other key management personnel of the Company				
Ordinary shares				
John Ribbons	153,337	-	-	153,337

2007	Balance at start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at end of the year
Directors of Montezuma Mining Company Limited				
Ordinary shares				
Denis O'Meara	500,000	-	200,000	700,000
Justin Brown	1,000,000	-	100,000	1,100,000
Terrance Grammer	1,000,000	-	26,000	1,026,000
Ian Cornelius	-	-	320,000	320,000
Other key management personnel of the Company				
Ordinary shares				
John Ribbons	3	-	153,334	153,337

(c) Loans to key management personnel

There were no loans to key management personnel during the year.

(d) Other transactions with key management personnel

A director, Justin Brown, is a shareholder of Launchpad Creative Pty Ltd and Scope Logic Pty Ltd. Launchpad Creative Pty Ltd provided the Company with printing services during the year totalling $14,012 (2007: $10,151) and Scope Logic Pty Ltd provided IT services totalling $5,119 (2007: $17,302). The payments were based on normal commercial terms and conditions.

A director, Ian Cornelius, is a director and shareholder of Ordville Nominees Pty Ltd. During the prior year the Company entered into a lease agreement with Ordville Nominees Pty Ltd for office premises. The rental agreement was based on normal commercial terms and conditions with payments totalling $8,853 during the year 2007 financial year. Ordville Nominees Pty Ltd sold the premises in the prior year.

	Consolidated		Parent Entity	
	2008	2007	2008	2007
	$	$	$	$

19. REMUNERATION OF AUDITORS

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

(a) Audit services

	2008	2007	2008	2007
Rothsay Chartered Accountants - audit and review of financial reports	24,500	18,000	24,500	18,000
Total remuneration for audit services	24,500	18,000	24,500	18,000

(b) Non-audit services

	2008	2007	2008	2007
Rothsay Chartered Accountants – taxation advisory services	1,500	2,000	1,500	2,000
Rothsay Chartered Accountants – independent accountants report	-	10,000	-	10,000
Total remuneration for other services	1,500	12,000	1,500	12,000

20. CONTINGENCIES

There are no material contingent liabilities or contingent assets of the Company at balance date.

21. COMMITMENTS

(a) Exploration commitments

The Company has certain commitments to meet minimum expenditure requirements on the mineral exploration assets it has an interest in. Outstanding exploration commitments are as follows:

	2008	2007	2008	2007
within one year	1,154,480	815,500	1,154,480	815,500
later than one year but not later than five years	4,617,920	3,262,000	4,617,920	3,262,000
	5,772,400	4,077,500	5,772,400	4,077,500

(b) Lease commitments: Group as lessee

Operating leases (non-cancellable):

	2008	2007	2008	2007
Minimum lease payments				
within one year	35,713	19,500	35,713	19,500
later than one year but not later than five years	71,425	-	71,425	-
Aggregate lease expenditure contracted for at reporting date but not recognised as liabilities	107,138	19,500	107,138	19,500

The property lease is a non-cancellable lease with a three year term, with rent payable monthly in advance. The rental agreement provides for an annual rent increase of the greater of market or CPI. An option exists to renew the lease at the end of the three year term for an additional term of three years. The lease allows for subletting of all lease areas.

(c) Remuneration commitments

Amounts disclosed as remuneration commitments include commitments arising from the service contracts of key management personnel referred to in section C of the remuneration report on page 27 that are not recognised as liabilities and are not included in the key management personnel compensation.

	2008	2007	2008	2007
Within one year	45,000	135,000	45,000	135,000
later than one year but not later than five years	-	45,000	-	45,000
	45,000	180,000	45,000	180,000

22. RELATED PARTY TRANSACTIONS

(a) Parent entity

The ultimate parent entity within the Group is Montezuma Mining Company Limited.

(b) Subsidiaries

Interests in subsidiaries are set out in note 23.

(c) Key management personnel

Disclosures relating to key management personnel are set out in note 18.

23. SUBSIDIARY

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(b):

Name	Country of Incorporation	Class of Shares	Equity Holding(1)	
			2008	2007
			%	%
Peak Hill Metals Pty Ltd(2)	Australia	Ordinary	100	-

(1) The proportion of ownership interest is equal to the proportion of voting power held.

(2) Peak Hill Metals Pty Ltd was incorporated on 25 July 2007 with Montezuma Mining Company Limited being the sole shareholder. The company has been dormant since its incorporation.

24. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

As approved at the General Meeting of the Company on 30 July 2008, 400,000 ordinary shares and 100,000 listed options were issued in July 2008 as consideration for the acquisition of tenement rights. Additionally, subsequent to 30 June 2008, the Company has entered into an agreement with Midwest Corporation Limited to dispose of the iron ore rights over tenement E52/1529 for consideration of up to $6 million cash, plus a production royalty. Also subsequent to year end, the Company terminated the Robinson Range Joint Venture with Greater Pacific Gold Limited.

No other matter or circumstance has arisen since 30 June 2008, which has significantly affected, or may significantly affect the operations of the Company, the result of those operations, or the state of affairs of the Company in subsequent financial years.

	Consolidated		Parent Entity	
	2008	2007	2008	2007
	$	$	$	$
25. CASH FLOW STATEMENT				
Reconciliation of net loss after income tax to net cash outflow from operating activities				
Net loss for the year	(2,307,425)	(1,535,169)	(2,307,425)	(1,535,169)
Non-Cash Items				
Depreciation of non-current assets	16,015	3,379	16,015	3,379
Employee and consultants option expense	286,210	38,272	286,210	38,272
Fair value gains on financial assets at fair value through profit and loss	(319,600)	-	(319,600)	-
Tenement acquisitions settled by the issue of ordinary shares	-	550,000	-	550,000

Change in operating assets and liabilities				
(Increase) in trade and other receivables	**(8,618)**	(25,972)	**(8,618)**	(25,972)
Increase/(decrease) in trade and other payables	**(9,376)**	130,939	**(9,376)**	130,939
Net cash outflow from operating activities	**(2,342,794)**	(838,551)	**(2,342,794)**	(838,551)

26. LOSS PER SHARE

	Consolidated	
	2008	**2007**
	$	**$**
(a) Reconciliation of earnings used in calculating loss per share		
Loss attributable to the ordinary equity holders of the Company used in calculating basic and diluted loss per share	**(2,307,425)**	(1,535,169)
	Number of shares	**Number of shares**
(b) Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted loss per share	**37,592,763**	23,792,950

(c) Information on the classification of options

As the Company has made a loss for the year ended 30 June 2008, all options on issue are considered antidilutive and have not been included in the calculation of diluted earnings per share. These options could potentially dilute basic earnings per share in the future.

27. SHARE-BASED PAYMENTS

(a) Employees and Contractors Option Plan

The Company provides benefits to employees (including directors) and contractors of the Company in the form of share-based payment transactions, whereby employees render services in exchange for options to acquire ordinary shares. The exercise price of the options granted range from 20 cents to 35 cents per option. All options granted have expiry dates ranging from 23 July 2011 to 2 March 2012.

Options granted carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share of the Company with full dividend and voting rights.

Fair value of options granted

The weighted average fair value of the options granted during the year was 8.9 cents (2007: 8.3 cents). The price was calculated by using the Black-Scholes European Option Pricing Model applying the following inputs:

	2008	2007
Weighted average exercise price (cents)	31.70	20.00
Weighted average life of the option (years)	3.93	5.00
Weighted average underlying share price (cents)	24.00	17.50
Expected share price volatility	50%	50%
Risk free interest rate	6.62%	6.25%

Historical volatility has been used as the basis for determining expected share price volatility as it assumed that this is indicative of future trends, which may not eventuate.

(b) Options issued to suppliers

As part consideration for services associated with the initial public offering of the Company, suppliers were issued with listed options in the Company. A total of 1,750,000 options were issued with an exercise price of 20 cents expiring on 31 August 2011.

Options granted carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share of the Company with full dividend and voting rights.

Fair value of options granted

The listed options granted are valued at the market closing price on the date that the options are allotted. There were no options issued to suppliers during the current year. The weighted average fair value of the options granted during the 2007 financial year was 7.3 cents.

Set out below are summaries of the share-based payment options granted per (a) and (b):

				The Company
		2008		2007
	Number of options	Weighted average exercise price cents	Number of options	Weighted average exercise price cents
Outstanding at the beginning of the year	2,210,000	20.0	-	-
Granted	3,200,000	31.7	2,210,000	20.0
Forfeited	(210,000)	20.0	-	-
Exercised	-	-	-	-
Expired	-	-	-	-
Outstanding at year-end	5,200,000	27.2	2,210,000	20.0
Exercisable at year-end	5,200,000	27.2	2,210,000	20.0

The weighted average remaining contractual life of share options outstanding at the end of the financial year was 3.23 years (2007: 4.28 years), and the exercise prices range from 20 cents to 35 cents.

(c) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period were as follows:

	Consolidated		Parent Entity	
	2008	2007	2008	2007
	$	$	$	$
Options issued to employees and consultants (shown as share based payment expense in the income statement)	286,210	38,272	286,210	38,272
Options issued to suppliers (included as a transaction cost against Issued Capital in the balance sheet)	-	127,500	-	127,500
	286,210	165,772	286,210	165,772

DIRECTORS' DECLARATION

In the directors' opinion:

(a) the financial statements and notes set out on pages 26 to 57 are in accordance with the Corporations Act 2001, including:

 (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

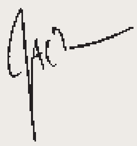
 (ii) giving a true and fair view of the Company's financial position as at 30 June 2008 and of it's performance for the financial year ended on that date; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

(c) the remuneration disclosures set out on pages 26 to 27 of the directors' report comply with Accounting Standards AASB 124 *Related Party Disclosures and the Corporations Regulations 2001*.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the directors.



Justin Brown

Managing Director

Perth, 19 September 2008

ROTHSAY

Level 18, 6 O'Connell Street, Sydney NSW 2000 G.P.O. Box 2759, Sydney NSW 2001
Phone 8815 5400 Facsimile 8815 5401 E-mail swan2000@bigpond.com

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF MONTEZUMA MINING COMPANY LTD

We have audited the accompanying financial report of Montezuma Mining Company Ltd (the Company") which comprises the balance sheet as at 30 June 2008 and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the company.

The Company has disclosed information as required by Australian Accounting Standard AASB 124 *Related Party Disclosures* ("remuneration disclosures") under the heading "Remuneration Report" in the directors' report as permitted by the Corporations Regulations 2001.

Directors Responsibility for the Financial Report

The Directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report. The Directors are also responsible for the remuneration disclosures contained in the directors' report.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance as to whether the financial report is free of material misstatement and the remuneration disclosures in the Directors' report comply with AASB 124.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used in and the reasonableness of accounting estimates made by the directors as well as evaluating the overall presentation of the financial report and the remuneration disclosures contained in the directors' report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

We are independent of the Company, and have met the independence requirements of Australian professional ethical requirements and the Corporations Act 2001.

Chartered Accountants

Liability limited by the Accountants Scheme, approved under the Professional Standards Act 1994 (NSW).

Audit opinion

In our opinion the financial report of Montezuma Mining Company Ltd is in accordance with the Corporations Act 2001, including:

a) (i) giving a true and fair view of the Company's financial position as at 30 June 2008 and its performance for the year ended on that date; and
(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

b) the financial report also complies with International Financial Reporting Standards.

c) the remuneration disclosures in the Directors' report comply with AASB 124

Rothsay

Graham R Swan
Partner

Dated 19th September 2008

ASX ADDITIONAL INFORMATION

Additional information required by Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 19 September 2008.

(a) Distribution of equity securities

Analysis of numbers of equity security holders by size of holding:

			Ordinary shares		Options	
			Number of holders	Number of shares	Number of holders	Number of options
1	-	1,000	14	1,536	2	1,300
1,001	-	5,000	75	273,384	124	355,394
5,001	-	10,000	128	1,217,572	24	185,500
10,001	-	100,000	222	9,111,253	85	3,666,389
100,001		and over	58	31,089,825	34	11,941,684
			497	41,693,570	268	16,150,267
The number of equity security holders holding less than a marketable parcel of securities are:			71	184,920	-	-

(b) Twenty largest shareholders

The names of the twenty largest holders of quoted ordinary shares are:

		Listed ordinary shares	
		Number of shares	Percentage of ordinary shares
1	South Boulder Mines Ltd	4,150,000	9.95
2	Duketon Consolidated Ltd	3,125,000	7.50
3	Tao Yuan Ltd <No 2 Account>	2,763,273	6.63
4	Avania Nominees Pty Ltd	1,806,415	4.33
5	Mandies Meats Pty Ltd	1,307,000	3.13
6	Aradia Ventures Pty Ltd	1,030,000	2.47
7	Grammer Dianne Claire	1,000,000	2.40
8	Cheung Shun Resources Ltd	1,000,000	2.40
9	Mandies Meats Pty Ltd <Number 2 Account>	860,000	2.06
10	Cheung Shun Resources Ltd	850,000	2.04
11	Kongming Investments Ltd	790,000	1.89
12	ANZ Nominees Ltd	623,500	1.50
13	Rizzo Francesco <Rizzo S/F A/C>	573,884	1.38
14	O'Meara Denis William	520,000	1.25
15	DWCorporate Pty Ltd	500,000	1.20
16	Coppin Langtree C	500,000	1.20
17	Pillage Investments Pty Ltd <Pillage S/F A/C>	500,000	1.20
18	Tao Yuan Ltd <No 2 A/C>	500,000	1.20
19	Duketon Consolidated Ltd	450,000	1.08
20	Cheung Shun Resources Ltd	440,000	1.08
		23,289,072	55.87

(c) Twenty largest option holders

The names of the twenty largest holders of quoted options are:

		Listed options	
		Number of options	Percentage of total options
1	South Boulder Mines Ltd	1,037,500	6.42
2	Aradia Ventures Pty Ltd	1,007,500	6.24
3	Grammer Dianne Claire	1,000,000	6.19
4	Cheung Shun Resources Ltd	1,000,000	6.19
5	HSBC Custody Nominees Australia Ltd	750,000	4.64
6	Duketon Consolidated Ltd	656,250	4.06
7	DWCorporate Pty Ltd	525,000	3.25
8	O'Meara Denis William	500,000	3.10
9	Kongming Investments Ltd	422,500	2.62
10	International Business Network SV	400,000	2.48
11	Cheung Shun Resources Ltd	350,334	2.17
12	Cornelius S/F	300,000	1.86
13	Hilmed Pty Ltd	300,000	1.86
14	Maslin A & Norris M <Maslin Family A/C>	250,000	1.55
15	UBS Nominees Pty Ltd	250,000	1.55
16	Tao Yuan Ltd	241,666	1.50
17	Wilkins Marian Lesley	240,625	1.49
18	Matheson G W & Rantall K	217,124	1.34
19	Uranus Investments Pty Ltd	214,209	1.33
20	Vetter Anthony John	210,625	1.30
		9,873,333	61.14

(d) Substantial shareholders

The names of substantial shareholders who have notified the Company in accordance with section 671B of the *Corporations Act 2001* are:

	Number of Shares
South Boulder Mines Ltd	4,150,000
Duketon Consolidated Ltd	3,125,000
Tao Yuan Ltd <No 2 Account>	2,763,273

(e) Voting rights

All ordinary shares (whether fully paid or not) carry one vote per share without restriction.

(f) Schedule of interests in mining tenements

Location	Tenement	Percentage held / earning
Talga	E45/2680	90
Talga – White Angel	P45/2680 (A)	100
Pilgangoora	E45/2375	90
Curlew	E45/2548	90
Curlew	E45/2769	90
Barite Range	E45/2925	90
Callawa	E45/2935	100
Callawa	E45/2974	100
Callawa	E45/2927	100
Copper Hills South	E46/676	90
Pilgangoora – Trafford	P45/2557	70
Pilgangoora – Trafford	P45/2558	70
Pilgangoora – Trafford	P45/2559	70
Pilgangoora – Trafford	P45/2560	70
Pilgangoora – Trafford	P45/2562	70
Pilgangoora – Trafford	P45/2563	70
Pilgangoora – Trafford	P45/2564	70
Pilgangoora – Trafford	P45/2565	70
Pilgangoora – Trafford	P45/2566	70
Pilgangoora – Trafford	P45/2567	70
Pilgangoora – Trafford	P45/2566	70
Pilgangoora – Trafford	P45/2567	70
Pilgangoora – Trafford	P45/2628 (A)	70
Pilgangoora – Trafford	P45/2629 (A)	70
Weebo	E37/802	80
Weebo	E37/833	80
Weebo	P37/7053	100
Weebo	E36/606	100
Weebo	E36/607 (A)	100
Robinson Range	E52/2061 (A)	100
Robinson Range	E52/2062 (A)	100
Robinson Range	E52/2063 (A)	100
Robinson Range	E52/2068 (A)	100
Robinson Range	E52/2069 (A)	100
Robinson Range	E52/2078 (A)	100
Robinson Range	E52/2079 (A)	100
Robinson Range	E52/2080 (A)	100
Robinson Range	E52/2081 (A)	100
Robinson Range	P52/1227 (A)	100
Robinson Range	E52/2140 (A)	70

Location	Tenement	Percentage held / earning
Robinson Range	E52/2141 (A)	70
Robinson Range	P52/1233 (A)	70
Durack	M52/801	20
Eelya Hill	E20/679 (A)	100
Egerton	E52/2117 (A)	100
Lake White	E69/2366 (A)	100
Lake White	E69/2367 (A)	100
Mt Vernon	E52/2082 (A)	100
Mt Padbury	E52/1529	100
Eelya Hill	E20/659	10
Eelya Hill	P20/2018	10
Peak Hill Gold	M52/35	100
Peak Hill Gold	M52/474	100
Peak Hill Gold	M52/56	100
Peak Hill Gold	M52/297	100
Peak Hill Gold	E52/2149 (A)	100
Peak Hill Gold	P52/1234 (A)	100
Peak Hill Gold	L52/2	100
Peak Hill Gold	L52/19	100
Peak Hill Gold	L52/20	100
Peak Hill Gold	L52/39	100
Peak Hill Gold	L52/62	100
Peak Hill Gold	L52/63	100

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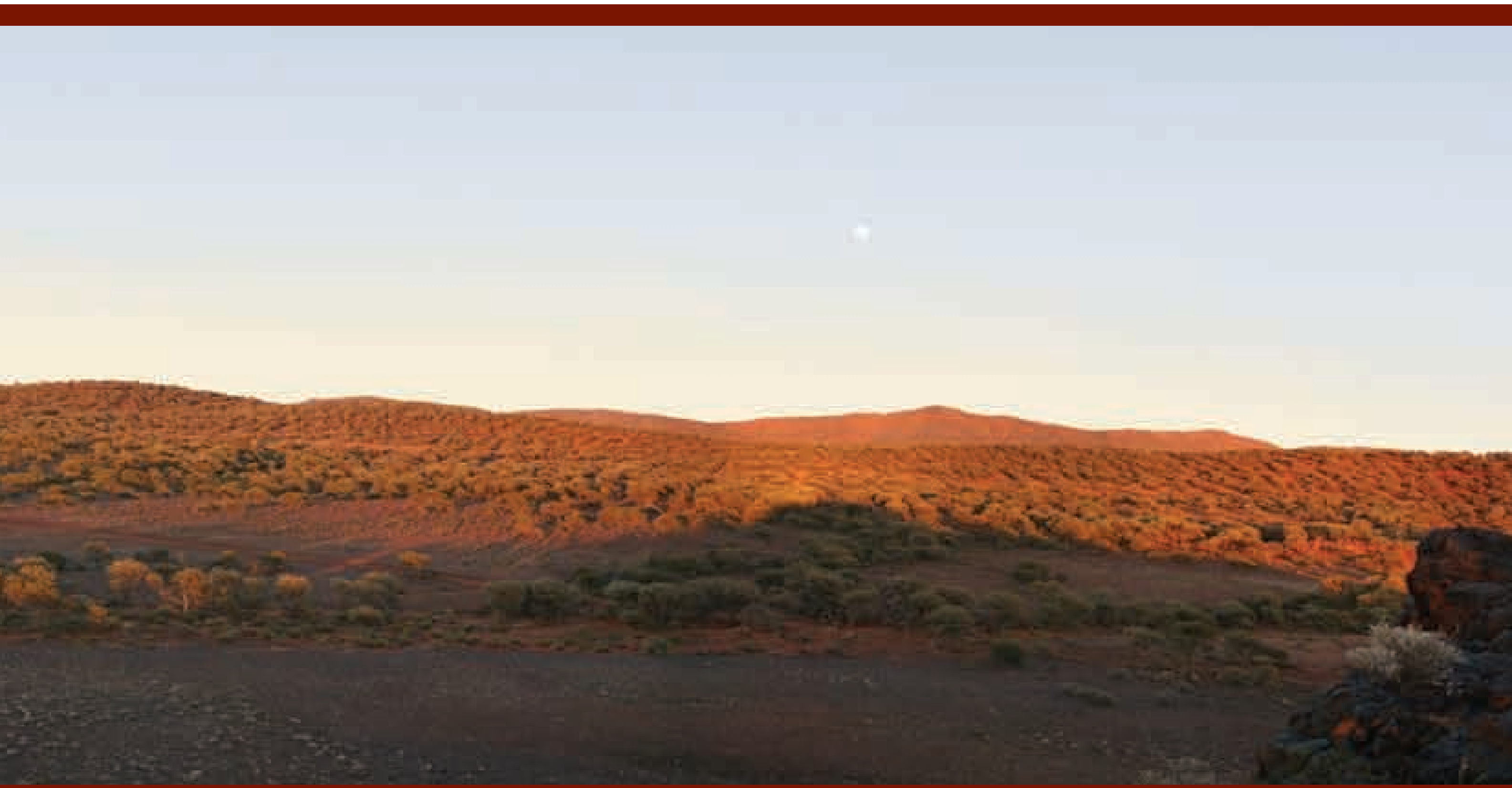

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